EUROPE'S BUSINESS NEWSPAPER

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DEBT REDUCTION
Voluntary measures already working
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World News

English clubs readmitted to European football

UEFA, the ruling body of European football, has decided English football clubs should be readmitted to European competitions for the 1990-91 season. Page 12

Lockerbie lawsuit
Families of people killed in the bombing of a Pan Am jet over Lockerbie in Scotland are to sue the airline in the US.

Murder inquiry
Austrian police are treating the deaths of 49 patients in a Vienna hospital as murder. Page 3

Broadcast ban lifted
The UK Government temporarily lifted a broadcasting ban on politicians who publicly support guerrilla violence in Northern Ireland. Page 14

Wright fights back
Mr Jim Wright, Speaker of the US House of Representatives, has begun a counter-attack against a report on his financial dealings. Page 6

Howe rejects cuts
Sir Geoffrey Howe, the UK Foreign Secretary, has rejected Soviet proposals for the reduction of short-range nuclear weapons in Europe. Page 2

Swapo withdrawal
UN troops opened assembly points in Namibia for the withdrawal of Swapo guerrillas. Page 4

N-sub tests
Deep water tests from the area where a Soviet nuclear submarine sank in the Norwegian Sea have shown no sign of a radiation leak. Page 3

Ugandan reshuffle
Ugandan President Yoweri Museveni has reshuffled his cabinet, placing two generals in top defence posts and dropping eight ministers who failed to win seats in the country's new parliament.

Security shake-up
Sweden's security services should be drastically reorganised, an official inquiry report has recommended, following the killing of prime minister Olof Palme. Page 3

Shamir defiant
Israeli Prime Minister Yitzhak Shamir told the UN that Israel did not need its help in advancing Middle East peace ideas.

Terrorist extradition
The Greek Supreme Court postponed hearing a US extradition request for custody of Mohammed Rashid, charged with bombing an airliner.

Jerusalem strike
Demonstrations erupted in Jerusalem's Old City as Palestinians staged a commercial strike to mourn an Arab shot dead by a suspected Jewish extremist. Page 4

SA protest action
Six black activists who sought refuge at the UK embassy in Pretoria, South Africa, last month have begun a campaign of defiance against government restrictions.

Wage claim lather
Thousands of Turkish workers downed razors to back demands for more than 100 per cent wage increases. Refusal to shave is part of a passive protest.

Business Summary

Fujitsu likely to build new factory in NE England

Fujitsu, the Japanese microchip manufacturer is expected to announce plans for a major factory in the European Community, with north-east England earmarked as the most likely site. Page 12

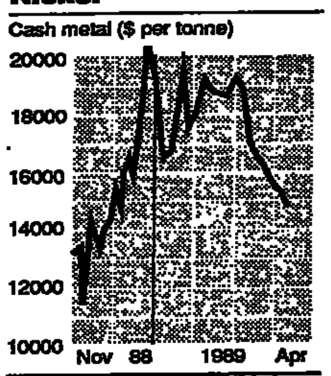
NICKEL prices continued Monday's decline on the LME and analysts believe the three-month price is on course to reach $14,000 to $14,200 a tonne.

PENGUIN, UK-based international publisher, is unlikely to profit from Salman Rushdie's book *The Satanic Verses*. Page 14

ABBEY National, second largest UK building society, won approval from members for its planned stockmarket flotation. Page 22

SWITZERLAND'S Federal Banking Commission cleared banks of acting illegally in the money laundering scandal that provoked the resignation of the Justice Minister. Page 2

Nickel
Cash metal ($ per tonne)



TELECOMMUNICATIONS operators from 18 European countries agreed on a united approach to the next generation of telecommunications services. Page 22

WESTINGHOUSE ELECTRIC, US company being sued by the Philippine Government for allegedly bribing former President Marcos to win a power plant contract, may have reached an out of court settlement. Page 4

PACIFIC DUNLOP, the Australian industrial group, plans an underwritten international placing of 38m shares. Page 26

NEPAL is set to test what it calls an Indian economic blockade by attempting to bring a shipment of 7,000 tonnes of oil across India. Page 5

NEDERLANDSE DAGBLAD Unie (NDU), Dutch newspaper publisher, has shelved plans to merge with Perscombinatie NV. Page 23

PETROGUIDE, UK analyst, says investors who bought shares in the world's largest oil companies received a return of 20 per cent per year. Page 26

ISRAEL DISCOUNT Bank group, the country's third-ranked financial institution, reported a 25 per cent fall in net profits. Page 24

UK TEXTILE and clothing industries cut back some 15,000 jobs in the last year Page 14

MEXICO'S debt-equity swap scheme, suspended since November 1987, remains closed although an opening is likely for tourism projects. Page 6

GOLD FIELDS Namibia (GFN) suffered a sharp reduction in profits in the first quarter of this year. Page 26

A SUBSIDIARY of Messerschmitt-Bölkow-Blohm (MBB), the West German aerospace concern, is being investigated over allegations that it exported missile parts to Iraq illegally. Page 2

PRODUCTIVITY in the UK motor industry increased by nearly 7 per cent a year from 1980 to 1987. Page 12

Takeshita refuses to resign despite Recruit funds admission

By Ian Rodger in Tokyo

MR Noboru Takeshita, the beleaguered Japanese Prime Minister, faced a fresh storm of criticism yesterday after providing damaging new details of Y155m ($1.17m) that he and his associates had received from Recruit group companies between 1985 and 1987.

In his testimony, Mr Takeshita accepted responsibility for only Y95m of the contributions from Recruit and insisted there was nothing illegal in them. He rejected Opposition demands that he and his Cabinet resign and that general elections be held and made clear that he was determined to fulfil what he saw as his responsibility to restore public trust in politics and carry out necessary reforms of the political system.

Leaders of the ruling Liberal Democratic Party (LDP) appeared to be standing behind him, at least for the time being, and many political analysts believe he can cling to power at least until after the economic summit of the seven leading industrialised nations in Paris in mid-July, mainly because there is no alternative.

However, crises of confidence could emerge within the next two weeks over passing the national budget and the Prime Minister's planned visits to south-east Asian countries from April 29.

Mr Takeshita yesterday explained his contributions from Recruit at a parliamentary committee hearing broadcast live on national television, apparently in the hope that it would put an end to discussion of his own role in the widening political financing scandal, and perhaps return the focus of interest to the role of his predecessor, Mr Yasuhiro Nakasone.

Of the Y151m in contributions from Recruit companies, Mr Takeshita disclaimed responsibility for the Y26m in profits on sales of Recruit Cosmos shares made by a former aide and a relative.

The gains were kept by individuals, not donated to his political coffers, he said. He also dissociated himself from Y30m given by Recruit to a provincial support organisation.

He insisted there was nothing illegal in the remainder, which had been given in the form of direct contributions and fund-raising party tickets. The gifts were apparently made by a number of Recruit subsidiaries and spread over various Takeshita support organisations so that no one gift would exceed the ceiling permitted under the Political Fund Control Act.

He showed a reasonable level of contrition, saying that the Recruit crisis was the worst he had seen in his 35-year political career.

But things soured quickly when Opposition questions began. What did he really think Recruit was trying to do, giving him all this money? Mr

Continued on Page 22
Takeshita's gamble, Page 4

Noboru Takeshita yesterday

European Court rules airline fare-pricing pacts may be illegal

By William Dawkins in Brussels

THE European Court of Justice yesterday handed down a landmark judgment which could help cut air fares when it ruled that nearly all pricing pacts between airlines may be in violation of European Community free competition policy.

The complex ruling, against an attempt to ban cut-price ticket schemes run by two West German travel agents, confirms for the first time that Brussels can use EC competition rules to challenge the fixing of tariffs on routes between member states and airports outside the Community, and to internal routes inside individual EC countries. Current Community airline regulations apply only to routes between EC countries.

Commission officials said the ruling could expose the International Air Transport Association (Iata), the airlines' body for agreeing air fares on international routes, to a legal challenge under EC rules against anti-competitive agreements. Any interested party could bring such a case to the Luxembourg court.

Proposals for the next phase of EC airline liberalisation, to be tabled by the Brussels authorities by October, may be heavily influenced by yesterday's judgment. It is questionable, however, whether the Commission could easily persuade member states to accept a directive fully embodying the ruling, given the long political struggle that preceded the adoption of the present airline package at the end of 1987.

While Commission officials were yesterday digesting the full consequences of the ruling, they confirmed that it could give the EC the power to challenge anti-competitive pricing by non-European airlines flying to European destinations. There was speculation, for example, that it could allow Brussels to use EC law to contest anti-competitive fares charged by US airlines flying to Brussels. The court said that price fixing accords could be challenged as abuses of a dominant position whether they led to artificially high or low fares.

The case was triggered by the discovery by two Frankfurt-based travel agents, Ahmed Saeed Flugreisen and Silver Line Reisebüro, that they could sell air tickets from Lisbon via Frankfurt to Tokyo substantially more cheaply than tickets from Frankfurt to Tokyo direct. The West German Association for the Campaign against Free Competition tried to ban their cheap fares on the grounds that they contravened national air tariff rules.

The senior West German commercial court referred the case two years ago to Luxembourg, which has now ruled that the travel agents were acting within their rights under EC competition law, even though they had broken national rules.

To the Commission's surprise, Luxembourg also provided a full exposé of the application of competition rules to airlines, going well beyond the court's earlier views in a 1986 case involving a French travel agent.

The court said airlines should from now on clear price fixing accords on routes between Community countries directly with the Commission, instead of seeking national authorities' consent, as was the case previously. Officials said that failing Commission consent, such agreements would automatically be void. Price accords on internal routes and routes to non-EC destinations would still be monitored by national authorities for compliance with EC rules against anti-competitive agreements.

It also set new limits on the ease with which governments can exempt pricing agreements.

European nations in telecoms agreement

Telecommunications operators from 18 European countries have agreed to a united approach aimed at ensuring international compatibility. The new Integrated Services Digital Network is based on the telephone exchanges being introduced across Europe and should lead to faster, clearer more sophisticated communications. Page 22

Hundreds held in effort to restore order in Georgia

By John Lloyd in Moscow

HUNDREDS of people were arrested yesterday in Tbilisi, capital of the Soviet republic of Georgia, and 65,000 rifles were confiscated from civilians as the authorities continued their measures to restore order to the troubled city.

At the same time, the Soviet authorities' growing concern with the nationalist unrest in several republics was reflected by a front-page article in the Communist Party newspaper, Pravda, which called for an end to the toleration of radicalism and nationalism and a return to order to preserve perestroika.

The death toll from clashes between troops and demonstrators over the weekend is still officially put at 18, with the admission by the authorities that it may rise. However, information from the region is still largely screened from the world by a block on foreign journalists' travel and the thinnest trickle of official news.

Mr Eduard Shevardnadze, the Soviet Foreign Minister whose previous job was leader of the Georgian Communist Party, appears to have assumed some of the authority of his successor, Mr Dzhumber Patiashvili, who appeared on Georgian television on Monday night to take some of the blame for the deaths. Reports indicate that Mr Shevardnadze yesterday met nationalist leaders in the Georgian capital, including those of the National Democratic Party.

If the reports are confirmed – and official accounts only say that he met members of the public – the move demonstrates a desire to understand rather than simply to repress nationalist feelings.

No such effort at reconciliation was apparent in Pravda's unsigned, front-page editorial. After a lengthy preamble which reminded its readers of the benefits of perestroika, it attacked extremists "hiding behind support for perestroika and glasnost" who had on their consciences the deaths in Armenia, Azerbaijan and Georgia.

In a number of implicit criticisms of inaction and laxity by the Government, Pravda said "the constitutional basis of the state had not been fully protected" against law breakers and nationalists. It commended the new decree on crimes against the state, published at the weekend, as one that should be used – in conjunction with other laws – to discipline subversive elements. The decree replaces the old Article 70 of the Russian criminal code – used to control dissent – with fines or terms of imprisonment of up to three years for such crimes as "public appeals for undermining or overthrowing the Soviet state."

Where official reports quote 18 or 19 dead in the Georgian capital, the most conservative opposition figure is 30, while the highest unofficial toll is 200.

Nationalist groups in Tbilisi say that many factories are on strike, transport has stopped, black flags and armbands are everywhere and some workers are being forced back to work

Ambitious farming target set by Moscow

A SOVIET Government decree on farming, published yesterday, has set hugely ambitious growth targets for the first half of the 1990s and suggests the possibility of price liberalisation and more deregulated methods of food purchase, writes John Lloyd in Moscow.

The decree follows the publication of the legal framework for lease contracting published at the weekend. Yesterday's decree is aimed at substantially restructuring a system that has been heavily centralised for nearly 60 years, most recently under the control of the huge bureaucracy known as gosagroprom, or the state planning committee – which lasted less than four years.

However, the new decree aims to retain some centrally planned targets, many centrally determined prices and the tutelage of the Communist Party and administrators over the whole system.

The new growth targets anticipate the terms of the next – the 13th – five-year plan, due to run from 1991-1995. Over that period, annual growth rates will be set at between 4.7 and 5.4 per cent to reach production in 1995 worth 260bn roubles ($321bn) at today's prices, an increase of up to 30bn roubles.

The decree calls for the "satisfaction of the population" in milk and dairy products by 1991-92, in butter by 1994, in meat and meat products in 1994-95 and in fruit by 1995. The task of achieving these aims is said to the the main responsibility of every level of government.

However, the levels with prime responsibility will be

Continued on Page 22

Elders unit sells MB Group interest to CGIP for £75m

By Raymond Hughes and Maggie Urry

ELDERS Investments, a subsidiary of Mr John Elliott's Elders IXL, the Australian brewing, farming and finance group, has agreed to sell its interest in MB Group for about £75m.

Under a deal struck yesterday morning, Elders is to sell the stake to Compagnie Générale d'Industrie et de Participations (CGIP), controlling shareholder in Carnaud, the French packaging company with which MB plans to create Europe's largest packaging group.

The sale is, however, conditional on the High Court sanctioning, under normal company law procedures, the planned £900m merger between Metalbox Packaging, MB's packaging subsidiary, and Carnaud. That deal is now being considered by the court and CGIP's solicitor yesterday provided the court with details of the purchase from Elders. MB stressed it was not a party to the deal between Elders and CGIP.

MB and CGIP will each have 25.5 per cent of the voting rights in the merged packaging business, to be called CMB Packaging. This balance will not be affected by yesterday's deal.

CGIP said it had offered to buy out Elders at above the market price for MB's shares because it feared that Elders' opposition to the scheme might lead to the court refusing its sanction. This will bring Elders a substantial profit on its MB investment, although it has never revealed the price it originally paid for the stake.

Elders has opposed the packaging merger which it said was not in the best interests of MB shareholders. In February it had put forward an alternative consortium bid for Metalbox Packaging, which MB rejected.

MB shareholders had overwhelmingly approved the merger at a special meeting on February 24 and analysts suggested yesterday that these shareholders and warrant holders might be envious that Elders had appeared to gain better terms for its own stake.

Under the conditional deal with Elders, CGIP will buy 18.9m MB ordinary shares, £3.5m of convertible bonds and 4.2m warrants which give the right to buy more shares in MB.

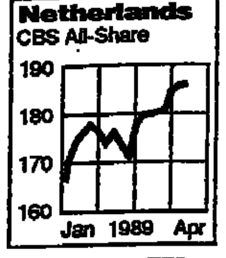
In evidence read to the court Mr John Cooper, of Lovell White Durrant, CGIP's London solicitor, said the price would be 380p per share after taking account of the dividend which would be paid on the MB shares.

Although that was above the market price it took account of the fact that the purchase was of "a strategic stake." MB shares closed at 276p up 3p.

Mr Cooper said CGIP was acting to protect its position as a substantial shareholder in Carnaud.

MARKETS

Netherlands
CBS All-Share



INTEREST RATES
US lunchtime
Federal Funds $9\frac{3}{4}$% ($9\frac{13}{16}$)
3-mth Treasury Bills: yield: 8.987% (9.03)
Long Bond: $97\frac{13}{16}$ ($97\frac{9}{16}$)
yield: 9.081% (9.11)
London
3-month interbank: close $13\frac{1}{4}$% (same)

STERLING
New York lunchtime
$1.691 (1.6960)
London:
$1.6900 (1.6975)
DM3.1875 (3.1900)
FFr10.7625 (10.7700)
SFr2.8150 (2.8100)
Y224.25 (225.00)

DOLLAR
New York lunchtime
DM1.88625 (1.88315)
FFr6.3675 (6.3535)
SFr1.66475 (1.65075)
Y132.775 (132.845)
London:
DM1.8865 (1.8795)
FFr6.3675 (6.3450)
SFr1.6650 (1.6560)
Y132.75 (132.60)

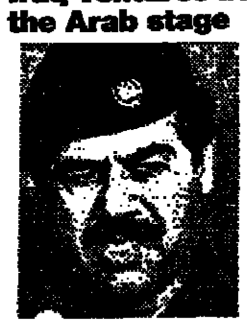
GOLD
New York latest
Comex June)
$389.6 (390.3)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,314.33 (+12.46)
S&P Comp
298.71 (+1.60)
London:
FT-SE 100
2,031.3 (+6.3)
World:
142.47 (Mon)
Tokyo
Nikkei Ave
33,249.58 (+250.56)
Frankfurt
Commerzbank
1,712.8 (+13.6)

OIL
Brent 15-day (Argus)
$19.17½ (+22½cts) (May)
West Tex Crude
$20.73½ (+23cts) (May)

CONTENTS

Iraq ventures back on to the Arab stage



World powers are wondering what role Iraq envisages for itself in the post-war era. One thing for sure is that President Saddam Hussein has emerged with greatly enhanced prestige and probably the most powerful Arab army Page 22

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Irish battle with oil majors reaches fever pitch

By Kieran Cooke in Dublin

THE BATTLE between the Irish government and the oil majors reached fever pitch yesterday as politicians united in attacking petroleum companies for what was described as an attempt at "economic blackmail".

This week Esso, Shell, Texaco and Jet announced they had stopped all petroleum imports into Ireland, claiming that a recently imposed government price freeze combined with price rises on the world oil market were forcing them to sell at a loss.

Mr Ray Burke, the Irish Minister for Industry, said he was appalled at the behaviour of the oil companies. "I'm shocked that the oil companies are making these threats against the Irish people," said Mr Burke. He said Ireland could not be "held to ransom".

Mr Albert Reynolds, the Irish Minister for Finance, accused the oil companies of trying to challenge government policy and described their actions as "entirely unjustified." Mr Richard Bruton, spokesman on energy for the opposition Fine Gael party, said the companies were acting in a wholly unacceptable manner and the Irish economy could not afford disruption of this kind.

The oil companies argue that pricing and trading conditions imposed on them by the Government were unfair. The companies have accused the Irish government of not honouring conditions of price review procedures which had been in operation since 1984.

The companies criticised the Government for imposing a freeze on petrol prices at the end of March and said that as a result, they were already running up substantial losses.

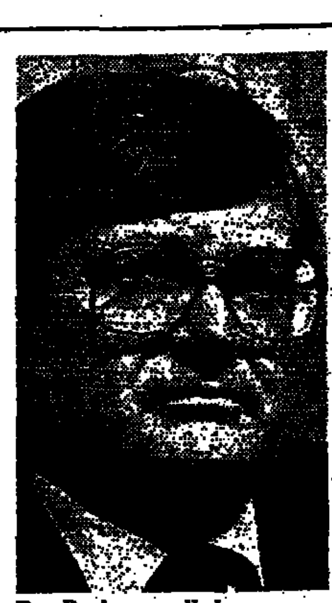
The oil companies are due to have a meeting with the Irish government tomorrow. An inquiry into the workings of the oil industry by the Irish state Fair Trade Commission was to have been among the matters to be discussed.

The argument between the oil companies and the Irish government is increasingly being perceived by the Irish public as a David and Goliath battle between the oil majors and a small country which is dependent on imports for much of its refined fuel supplies.

Ireland has only one refinery, at Whitegate near Cork, which is outdated and has had a number of technical and financial problems over the years. The Government says that at present there is no danger of a petrol shortage. The companies say there are enough supplies to last two to three weeks.

Ireland has among the highest petrol prices in Europe with the average price of one gallon of premium at I£2.72. Over the border in Northern Ireland, the price is I£2.14.

For several years, the oil companies have argued that distribution costs to the many hundreds of petrol stations scattered throughout Ireland were too high. The companies say the Government is trying to protect itself against rising world prices and inflation by imposing a price freeze on their sales.



Ray Burke: appalled

Future looks bleak in Waterford's crystal chaos

Kieran Cooke visits an Irish town shattered by the financial troubles of its world-renowned employer

ANYBODY who is anybody leaves Ireland with a gift of Waterford Crystal.

When President Mikhail Gorbachev made a two-hour stopover recently at Shannon Airport on his way to Cuba, he departed with a 14-inch oval Waterford glass bowl.

Waterford crystal encourages lyrical description. Mr Charles Haughey, the Irish Prime Minister, recently referred to Waterford crystal as one of the finest products made by man anywhere in the world.

"Cool, clear and scintillating, yet with no feelings of coldness," enthused Mr Haughey.

But Waterford is in serious trouble. For years, the company has been hampered by high labour costs, low productivity and what has clearly been serious mismanagement.

Earlier this year, management talked about various "accounting errors" which had seriously over-estimated the crystal-making facilities' performance.

This week, the full extent of the crisis in what is said to be the world's leading producer of handmade crystal became clear.

The group's annual figures reported that losses in the crystal-making division last year were more than I£20m (£17m).

Only profits from Wedgwood, the English prestige china manufacturing concern bought by Waterford in 1986 for £250m, kept the Waterford group afloat.

Yesterday, in spite of the driving rain, crowds of mostly American tourists were waiting to be guided through the Waterford crystal factory just outside the city of Waterford, about 90 miles south of Dublin.

The United States market is vital to Waterford's fortunes. More than 60 per cent of Waterford's crystal output, valued at I£93.7m, was sold in the US last year, and sales continue to rise.

European Diary

Ireland

But the mood amongst the Waterford workers is sombre. Waterford Crystal, with a work force of 2,300, is one of Ireland's largest employers.

Mr Brendan Kenneally, mayor of Waterford, says it would be devastating if anything should happen to stop production at the crystal factory.

Not only do workers' wage packets feed a local economy which has 19 per cent unemployment. More than 100,000 tourists visit the Waterford plant each year.

"It is the life blood of Waterford, and any difficulties in the industry directly affects everybody in the city," said Mr Kenneally.

There are very differing analyses as to what has caused the present crisis in the production of one of the world's leading "label" products.

While management talks of high wages and low productivity, workers say management has been befuddled by bad planning and, in recent years, by outsiders who have no understanding of the complexities of the industry.

The industry is a very traditional one, with a Victorian flavour about much of the activity on the factory floor.

Each function in the crystal process has a special term: there are "bit gatherers", "stemmers", and "ball blowers", who "marvel" the glass.

Then, there are the cutters, who, sitting at newly installed diamond cutting wheels, fashion the delicate patterns onto everything from glassware to chandeliers, and, for the Texan market, miniature crystal-glass cowboy hats.

In 1987, management instituted a I£50m voluntary redundancy programme. The result has been little short of disastrous.

Management planned to make 750 redundancies. In the event, more than 1,000 took up what were generally considered to be generous redundancy packages. Many highly-skilled workers left. Now there are too many glass-cutters and not enough glass-blowers, resulting in serious production hold-ups.

The union at the factory has described the management's redundancy as industrial sabotage.

Glass making began in Waterford towards the end of the 18th century. After the last war, refugees from Eastern Europe revived the industry in the area, and demand for Waterford's crystal products has outstripped supply almost every year since.

Unions, at a series of meetings in Waterford this week, have repeated their claim that the only solution to the company's problems is to allow workers a 33 per cent share in the crystal-making operation.

Management has so far shown little interest in this suggestion, but has repeated that long-term agreements with the work force are critical to Waterford's future.

Only two miles from the Waterford factory, a group of former workers have, meanwhile, decided to put their redundancy money back into crystal-making.

Such is their confidence in the market, they have started their own cottage crystal industry and have already won orders from Australia and the US.

Prosecutor launches inquiry into MBB's Condor missile links

By Simon Henderson and David Goodhart in Bonn

THE MUNICH city prosecutor is investigating reports that a subsidiary of the West German aerospace concern Messerschmitt-Bölkow-Blohm (MBB) broke export control laws by delivering parts for a DM70m missile system to Iraq.

MBB would make no comment on the allegations but did confirm yesterday that its subsidiary MBB-Transtechnica was being investigated.

Western officials say that a group of 16 companies in Europe, known as the Consen Group, is using West German rocket designers and other specialists to help Egypt, Argentina and Iraq develop a 1,000km-range missile capable of carrying nuclear and chemical warheads. The companies are registered in Monaco, Switzerland, Austria, West Germany, the UK, and Argentina.

MBB is one of six big European companies named in documents as being "most important in co-operation and as sub-contractors".

Western officials expressed concern at the activities of the Consen Group, which they say is acting as a "European missile management company", buying in expertise for the missile, the Condor II, particularly on propellants and guidance systems, using predominantly West German engineers.

One Consen company, the IFAT Corporation of Zug, Switzerland, was quoted last year in US court documents as sending more than $1m to an Egyptian-born American citizen now awaiting trial in California charged with conspiring to export missile parts to Egypt without a licence.

Another company in the group, Desintec, also of Zug, attempted to buy missile nozzles from the US in 1984 for the Argentine Air Force.

Western officials describe the Condor II as a two-stage, solid fuel rocket. They say that it was due to be tested in Argentina in October but was delayed by technical problems.

Development is being conducted in parallel in both Egypt and Argentina, with Iraq funding part of the Egyptian programme. Deployment is not expected until 1992.

Washington and London are leading a diplomatic effort to stop the development of the missile. In 1987 they agreed with other Western European nations and Japan on a Missile Technology Control Regime which tightened export controls on sensitive items. The UK is worried that the Condor II will have the range and accuracy to hit the airfield on the Falklands from Argentina. The main US concern is the impact in the Middle East.

Israel, which has already test-fired its own long-range missile, the Jericho II, is developing its own anti-missile missile. Western intelligence officials credit the Israeli secret service, Mossad, with causing three explosions in Europe seeking to break up the Consen operation, including one last May when the car of Consen's general manager was blown up on the French Riviera.

MBB has admitted helping Argentina develop an earlier missile, Condor I, but says it is not involved in Condor II. But its subsidiary MBB Transtechnica is a sub-contractor to another West German company, Gildemeister, on a project in Iraq known as Saad 16. Last week West German investigators seized files from Gildemeister.

Howe rejects Soviet nuclear arms scheme

By Robert Mauthner, Diplomatic Correspondent

SIR Geoffrey Howe, the British Foreign Secretary, yesterday rejected Soviet proposals for the negotiated reduction of short-range nuclear weapons in Europe as unrealistic as long as the Soviet Union and the West disagreed on the fundamental concept of nuclear deterrence.

The stand taken by Sir Geoffrey was significant, not because it marked any change in Britain's well-publicised nuclear defence policy but because it came only a few days after the appeal by President Mikhail Gorbachev, the Soviet leader, in London to Nato to scrap plans for the updating of its tactical nuclear arms in Europe.

In a speech to the Royal United Services Institute in London, the Foreign Secretary said that an arms negotiation, to have any success, must be based on "a commonality of interest among the parties involved and upon a shared perception of the desired outcome."

Such a common perception existed for the US-Soviet negotiations on the reduction of strategic nuclear missiles and in the conventional and chemical arms fields. "But does it exist as regards nuclear weapons in Europe, when the declared policy of Western governments is nuclear deterrence and the avoidance of a third zero (abolition of tactical nuclear arms) and that of the Soviet Union is denuclearisation?"

While the ultimate objective of general disarmament, repeatedly evoked by Mr Gorbachev, was "perfectly respectable," Sir Geoffrey said that, for the foreseeable future, the West would need a certain minimum nuclear capability to make a strategy of deterrence credible. New nuclear systems would be required from time to time. It made no sense to imply that decisions on the very need for such systems, as opposed to their precise numbers, were contingent on the results of current arms control negotiations like the Vienna talks on conventional forces.

"If the Vienna talks were to produce very radical results over a period of some years, then military planning in Europe might conceivably be radically affected. We may hope for such results, but certainly we cannot now plan on the basis of their being achieved," Sir Geoffrey said.

The Foreign Secretary implicitly criticised West Germany. "I have the feeling that, in some cases, the establishment of an arms control negotiation is perceived as desirable in its own right, irrespective of whether or not it is likely to lead to any enhancement of security." Sir Geoffrey, who foresaw a shift within Nato towards a more "Eurocentric structure," emphasised that greater European responsibility in defence and a more integrated Europe were not going to be achieved without integrated defence arrangements. Case-by-case co-operation, as existed between Britain and France, and the various co-operative defence arrangements between France and Germany, were all useful contributions to a fuller partnership. But they could never have more than a subsidiary role in assuring collective self-defence.

Gorbachev visit shows up rivalries in Strasbourg

By Tim Dickson in Brussels

THE HEADS of the main political groups in the European Parliament yesterday voted "almost unanimously" not to turn up when Mr Mikhail Gorbachev, the normally crowd pulling Soviet leader, visits their Strasbourg headquarters at the beginning of July.

The decision of the assembly was seen not so much as a snub to the roving Russian but more as a sign of the rivalry which marks its relations with the "other" Strasbourg-based European institution the Council of Europe.

Both the European Parliament and the Council of Europe share the same modern premises in the Alsatian capital and both had issued open invitations to the Soviet leader to come and address them. Happily for the Council, the Soviet leader's planned visit to France coincides with a full plenary session to be held in Strasbourg on July 6. But unfortunately for Parliament, the date falls inconveniently after the Euro-elections and before the opening of the new assembly.

The official reason given last night was that the 605 seat debating chamber of the Palace of Europe, home of the plenary sessions of the two institutions, would not be big enough to contain the 700 members of the old and new European parliaments who would legally be entitled to attend and the 179 members of the 23-nation state Council of Europe.

Privately, however, there was speculation that the assertive Parliament was not eager to co-host a visit with an institution which it considers to be relatively ineffective. The Council of Europe has played a limited economic and political role on the European stage, though it has made its mark on the issue of cross border broadcasting.

It was thought last night that Mr Gorbachev may have been advised by his own experts that the Council of Europe with its larger membership (23 countries against 12 for the EC) would provide a wider platform for his speech.

Delors tries to mend EC differences over union

By Peter Norman, Economics Correspondent

THE Delors Committee of European Community central bank governors and outside experts will today try to reconcile deep seated differences between the 12 EC member states over the nature and timing of moves to be taken towards economic and monetary union in the community.

On the first day of a two day meeting in Basle yesterday, the 17 strong committee reached broad agreement on the first two parts of its planned three part report on the "concrete steps" towards union.

The two parts – the first setting the objective of union in its historical and political context and the second dealing with the nature of the institutions such as a European central bank that might emerge from union – were generally recognised as the less controversial parts of the report.

According to participants, the committee will begin detailed discussion of the third part of the text this morning. There have been major differences of principle over the final part of the draft report.

One group of central bank governors, headed by Mr Karl-Otto Pöhl, the Bundesbank president, and Mr Robin Leigh-Pemberton, the Governor of the Bank of England, have argued that monetary union should be a distant goal, preceded by a much greater convergence of economic performance. Another group, comprising France, Italy and Spain, have urged rapid movement towards union even though this could involve EC Treaty amendment.

After yesterday's meeting, Mr Jacques Delors, the EC Commission president who chairs the group, said the talks at the Bank for International Settlements in Basle were "tough, but in a good way."

The committee's final report will be discussed by EC finance ministers at a meeting in Spain late next month. The Delors Committee report will then be discussed by EC leaders at their next summit meeting in Madrid in June.

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Tighter control of security services urged in wake of Palme case

By Robert Taylor in Stockholm

SWEDEN'S SECURITY services, Säpo, should be drastically reorganised, an official inquiry report has recommended. It urges the Government to appoint a new head of the services with a free hand to make their activities more democratically accountable. It also calls for an end to blacklists of suspected political subversives which have been used by the security services in their undercover operations inside Sweden.

The inquiry, chaired by Sweden's ambassador to Paris Mr Carl Lidbom, was established last autumn following revelations about methods used by the services during their investigation of the murder of Mr Olof Palme, the Prime Minister, in February 1986.

It is a controversial report produced by a controversial character who is leading figure in the ruling Social Democratic establishment. Yesterday the vice chairman of Parliament's constitution committee, Mr Anders Bjorck, a Moderate party member, suggested that the report was the start of a new political war against Säpo.

The highly detailed report, which runs to 151 pages, gives a graphic picture of alleged abuse of power by the security services, including the unlawful bugging of senior politicians and a secret register of supposed subversives.

Mr Lidbom says that steps must be taken to strengthen public confidence in Säpo. He suggested two immediate moves to establish greater government control:

- All the organisation's decisions should be recorded in writing so that their activities can be followed. "No decision should be so secret that it cannot be written down."
- Säpo ought not to be allowed to use electronic listening-devices against anybody without specific authorisation from the Justice Department.

The Lidbom report precipitated the resignation on Monday of the current head of the security services, Mr Sune Sandström, who denied any unlawful bugging during his period in office.

Opposition politicians have already warned there will be a outcry if the ruling Social Democrats appoint a new security chief on party lines.

There is considerable disquiet inside the Government about claims that the services bugged the conversations of Mr Pierre Schori, at present number two at the Ministry of Foreign Affairs and a former close confidant of Mr Palme, on suspicion that he was a Soviet agent. The present Foreign Minister, Mr Sten Andersson, also claims to have been bugged.

Mr Lidbom's report suggests that Säpo's relations with foreign security services should become more formalised in the future, while recognising the necessity of international co-operation in the fight against terrorism. Part of the report in this area is to remain secret, but Mr Lidbom does say that Säpo has had success in its counter-espionage and anti-terrorist activities. He believes, however, that Säpo needs to recruit more foreign policy experts.

The organisation has competent staff, the report says, it appears uncertain about what they are doing.

Swiss banks cleared in drugs cash scandal

By William Dullforce in Geneva

SWITZERLAND'S Federal Banking Commission yesterday cleared the big Swiss banks of having done anything illegal in the money laundering scandal that provoked the resignation of Mrs Elisabeth Kopp, the Justice Minister.

But the Commission, official watchdog over the Swiss banking system, said it would tighten its control over Switzerland's international banknote trading business.

To engage in the banknote business, banks would now have to obtain clearance which would be accorded only if the Commission was satisfied about the "internal rules and an allocation of personnel sufficient to guarantee control".

Noting that the banknote business was conducted at a very low level of responsibility in the banks, the Commission said it would in future expect senior management to take direct responsibility and auditors to exercise greater control.

The Commission said in its report that employees of Credit Suisse had accepted from money changers, now under arrest in the canton of Ticino, presents of greater value than they were allowed to receive under the bank's rules.

The report was made public the day after five people went on trial in Bellinzona in Ticino charged with drug smuggling, following the seizure of a lorry, carrying 100kg of heroin, in February, 1987.

Secrecy rules

That incident sparked off events which led to the arrest of two brothers, Jean and Barkev Magharian, for allegedly laundering drugs money through Switzerland, to the fall of Mrs Kopp and to the suspension of Mr Rudolf Gerber, the Federal public prosecutor.

A special prosecutor is investigating whether Mrs Kopp broke official secrecy rules when she warned her husband that Shakarchi Trading, a company of which he was vice-president, was suspected of involvement in the money laundering.

Reports from New York on Monday said US authorities had dropped a charge that SFr500,000 (£22,700) in Shakarchi's account with a New York bank stemmed from illegal cocaine trafficking.

Yesterday the Commission confirmed earlier reports that the Magharian brothers had cleared SFr1.4bn (£500m) in banknotes through Credit Suisse between March, 1985 and July, 1986. So far, according to the Commission, it has been proved that SFr38m, passed through Union Bank of Switzerland as well as Credit Suisse, came from a Colombian cocaine network in the US.

The Commission accepts that the Swiss banks had no way of determining the origin of this money, even though Credit Suisse's internal auditors had in 1986 voiced doubts about the Magharian brothers.

Credit Suisse staff had been "very formalistic" in deciding whether their dealings with the brothers conflicted with obligations under the Bankers' Association convention stipulating that banks must check the origin of funds placed with them, the Commission said.

Hungary counts the cost of high spending abroad

By Leslie Colitt in Berlin

A SURGE in spending by Hungarian shoppers in Austria last month may have increased Hungary's balance of payments deficit by as much as $600m (£352m) – more than the projected deficit for the entire year.

The current account deficit in March is estimated in Budapest to have been close to $250m, following a deficit of $350m in the first two months.

A senior official at the Hungarian National Bank warned yesterday that the widening payments gap and a fall in the hard currency trade surplus could create an atmosphere which would "destroy" Hungary's image at home and abroad. Hungarian officials had stressed that last year's $250m improvement in the current account deficit to $600m was a result of special factors.

Mr Karoly Grosz, the Hungarian leader, sounded an equally ominous note last week when he said the economy was in a "very critical" state. "We are close to the point at which the mass of debt becomes unmanageable," he noted.

Hungary's gross hard currency debt stood at $17.3bn at the end of last year and was the highest per capita in Eastern Europe. Gross debt expressed as a percentage of gross domestic product nearly tripled since 1972 to 63.2 per cent last year.

The Hungarian National Bank official, who did not wish to be identified, criticised the authorities for giving 10 days advance notice of last week's restrictions on personal imports from the West. As a result, a record number of Hungarians swarmed across the border to buy video recorders, computers and household appliances before the value of duty-free goods was halved to Forints 5,000 (£52) and the import tax was raised to 45 per cent.

Further measures are to be announced next week in Budapest to curb the drain on hard currency, the official said. The forint was devalued on March 21 by five per cent and another devaluation may follow.

Although Hungarians travelling to the West are allowed to legally exchange forints worth only $345 over a period of three years, they have delved deep into their hard currency bank accounts and exchanged large sums of forints into Western currencies at the black market rate.

The right of Hungarians to have a passport valid for travel anywhere, which was introduced in January 1988, is regarded as irreversible by the authorities.

No radiation found around Soviet submarine

DEEP WATER tests from the area where a Soviet nuclear submarine sank in Arctic waters have revealed no sign of a radiation leak, according to Norwegian scientists, Reuter reports from Oslo.

The Mike class attack submarine, used to test advanced weapons systems, was carrying two nuclear-armed torpedoes and was the only one of its kind in the huge Soviet navy. Military analysts believe its loss may be a serious blow to Soviet hopes of keeping pace with Nato in the field.

An electrical short-circuit is believed to have caused the fire which killed 42 naval personnel, including the boat's commanding officer, on Friday. However, only four died in the fire; the rest apparently perished in the water. Twenty-nine were rescued but two died later

Mr Johan Baarli, director of Norway's State Institute for Radiation Hygiene, said yesterday the deep water test results were preliminary and had to be thoroughly analysed before drawing any conclusions.

A Soviet destroyer, two tugs and a research vessel are still patrolling the area where the submarine sank. "They just seem to be holding the fort," said Mr Klaus Vaernoe, a spokesman at the Allied Defence Command North Norway. There were no signs of a salvage operation or of any salvage vessels on the way.

Military experts have said the Soviet Union, worried some of its most advanced military hardware might fall into Western hands, could try to recover parts of the boat now lying at a depth of around 5,000 feet.

Nuclear reactor built to survive even if hull crushed

By David Fishlock, Science Editor

NUCLEAR TORPEDOES and depth charges are intended for use against nuclear-propelled submarines – which is a measure of the resistance expected from their target.

The nuclear-powered "attack" submarine is designed to roam fast and freely in the top half-mile of ocean, withstanding both the crushing pressure of the depth and any additional buffeting from enemy action and from its own manoeuvrings.

As a fighting machine it depends entirely on nuclear electricity, where its forerunner had only batteries.

Nautilus, the first nuclear submarine, commissioned by the US Navy in 1955, drew on the most advanced German U-boats of the Second World War for key design features.

But whereas the Type 21 U-boat was limited to 60 to 80 minutes submerged at its top speed of about 17 knots, Nautilus made a shakedown cruise of 1,381 miles, fully submerged, in 90 hours.

Its nuclear reactor, generating 15,000 horse power, had transformed the submersible into a true submarine vessel, capable of remaining submerged to the limit of endurance of its crew.

A modern nuclear submarine will have several times as much power.

The US Navy selected the pressurised water reactor (PWR) for Nautilus, as the most compact and robust nuclear power plant of its day.

The Soviet navy made the same choice for its first nuclear submarine, commissioned less than five years later. The nuclear navies of Britain, France and China all came to the same decision. Between the the five navies have built about 400 nuclear submarines.

The submarine reactor with its heavy radiation shielding to protect the crew is set amidships because of its weight. Its nuclear fuel is enveloped in a thick steel pressure vessel filled with water at about 2,000 lbs per square inch pressure when the reactor is running.

This pressure vessel will survive the ocean pressure – 445 lbs per square inch for each 1,000 feet of depth – even when the submarine hull has been crushed.

The court of inquiry into the loss of the US nuclear submarine Thresher in 1963, through a reactor failure, was told that ocean-floor sampling round the crushed wreck had found no radioactivity.

Attempts have been made to replace the PWR with a reactor cooled by an easily melted metal, a much more efficient way of extracting heat than water, and one that requires much lower pressure. The US Navy tried it first with Seawolf, its second nuclear submarine, in 1957.

But the leaky pipework in the larger and more complex system led to Seawolf's reactor being abandoned only two years later, and replaced with a PWR.

The radioactive reactor – stripped of fuel – lies abandoned on the bed of the Atlantic off the US coast, more securely sealed against leaks than any package of nuclear waste.

The metal which filled the experimental Soviet reactors in its sunken nuclear submarine will already have solidified at ocean temperature to provide an additional seal against radioactive leaks.

Controversial Pole to test standing in June elections

By Christopher Bobinski in Warsaw

MR JERZY URBAN, the Polish government press spokesman and one of Poland's most controversial figures, who some television viewers say makes them shake with rage, intends to test his standing in parliamentary elections in June.

Mr Urban, who does not belong to the Communist Party, yesterday confirmed his intention to stand for one of the 35 per cent of the seats in Parliament's lower chamber, being reserved for non-party candidates.

Among candidates standing for this bloc of seats will be members of the newly-legalised Solidarity Union, and Mr Urban can expect to find himself competing against a Solidarity member.

He told his weekly press conference, extracts of which are later televised and watched by some 8m viewers, that "97 per cent of Poles know who I am, 28 per cent support me, and 48 per cent are hostile."

"The American Central Intelligence Agency tells people in Latin America that, if they have 20 per cent support in opinion polls, they can get 50 per cent behind them in an election," Mr Urban said. "I intend to see if they are right."

Mr Urban was a well-known columnist before he took the post of Government spokesman in the autumn of 1981 and he has defended official actions and lambasted the Solidarity opposition at his regular press conferences throughout martial law and beyond.

His gnome-like appearance and protruding ears are well-known, even to children, and his statement in 1982 in response to US sanctions that it will be the population which will suffer, not the government, "which will always be able to feed itself," has sunk deep into a resentful nation's collective memory.

OVERSEAS NEWS

Philippines suggests N-plant suit settlement

By Richard Gourlay in Manila

A TOP Philippine official has suggested an out-of-court settlement of a multi-billion dollar case against Westinghouse Electric, the US company which Manila is suing for allegedly bribing former President Ferdinand Marcos to win a nuclear power plant contract.

Mr Sedfrey Ordonez, the Justice Secretary, said damages in the $2.1bn suit for the plant could be paid partly in "services and facilities" to help the Philippines out of an imminent power shortage.

The suggestion, in a television interview in Manila, was made on the same day as a New Jersey court heard a Philippine plea for the case to be heard in open court in the US.

Westinghouse Electric said yesterday it was confident of its position over the lawsuit.

However, Mr Robert F. Pugliese, executive vice president of legal and corporate affairs for Westinghouse said: "We would be pleased to meet with the appropriate representatives of the Philippines, to explore how we can help bring the Philippines nuclear power plant into service."

Westinghouse Electric and co-defendants Westinghouse International and Burns and Rowe, the designer of the Bataan nuclear power plant, want the case to go to arbitration in Geneva as stipulated in the contract.

Last week Mr Salvador Laurel, the Vice President, who has broken with President Corazon Aquino's administration and is now in opposition, suggested that the power plant should be converted to conventional power use.

The case involves allegations of high-level bribery as the cost of the plant ballooned from an initial $650m in 1974 to to over $2bn 11 years later when it was completed.

Soon after taking power in 1986 Mrs Aquino mothballed the plant before it ever operated on the grounds that it was unsafe. In February the Philippines said evidence of bribery showed the building contract should be rescinded and the case should be kept in the US court.

"Westinghouse and Burns and Rowe not only bribed President Marcos to get the plant contract but used him as their pawn to obtain unconscionable terms from the National Power Corp of the Philippines (which bought the plant)," Mr Ordonez said in evidence presented to the court in February.

Mr Ordonez said papers impounded by US customs officials when the newly deposed president arrived in exile in Hawaii three years ago proved Mr Marcos gained financially from the award of the contract to Westinghouse.

Westinghouse has admitted it made payments to companies controlled by a relative of Mr Marcos in connection with the contract, but claims these were legitimate commissions. It also claims the 620m MW plant was safe to operate when handed over.

The New Jersey court is expected to decide where the case should be heard within a month.

The Philippines is asking for damages on the cost of the plant and compensation for the $310,000 it is currently paying in daily interest charges on related loans.

Sydney airport sinks into chaos as dispute bites

By Chris Sherwell in Sydney

AUSTRALIAN air travel, which has suffered industrial disruption for months, descended into chaos yesterday after a dispute involving air traffic controllers at Sydney airport deepened.

An unexpected three-hour shut-down early yesterday forced a batch of international flights into Sydney to be diverted to Brisbane and Melbourne, and prevented clearance of a backlog of domestic flights stemming from a halt to operations the night before.

The air traffic controllers then refused to accept a ruling by the Industrial Relations Commission on Monday ordering them to work according to their industrial agreement, and the airport faced another closure last night – the sixth shutdown in a week.

The dispute has delayed thousands of travellers, cost airlines hundreds of thousands of dollars and severely damaged Australia's reputation among travellers, especially businessmen and tourists. The problems are being compounded by a ban on night-time flights in Sydney.

The problem springs from a decision by the controllers last week to renew their refusal to work overtime or to stand in for colleagues who call in sick. Their move, a repeat of similar action in February, is designed to press a series of claims, including better equipment, higher manning levels and pay increases of up to 42 per cent.

In the past the controllers have worked up to seven hours of overtime every week as part of their normal working conditions, in the process boosting their pay. Now they want these conditions changed, saying they've "had a gutful."

Although there has been some public sympathy for the controllers' complaints, that is now beginning to fade. The public apologies of the Civil Aviation Authority, the statutory body responsible for air traffic control, are also falling on deaf ears because it bears part of the responsibility for the current.

In a belated comment on the dispute, Mr Ralph Willis, Minister of Transport and Communications, yesterday criticised the air traffic controllers for their action, saying their pay claims were outside national wage-fixing principles and could not be tolerated.

UN flag raised over Swapo assembly points

UNITED Nations peacekeepers raised their flags over nine remote border assembly points set up to help Swapo guerrillas withdraw from Namibia to Angola yesterday after 10 days of fierce battles with South African-led security forces, Reuter reports from Windhoek.

"The assembly points have opened, but we have had no reports on whether anyone has reported to them," said Mr Anouar Cherif, a UN spokesman.

UN officials were aware of reservations voiced by the South West Africa People's Organisation about the withdrawal plan negotiated by Angola, Cuba and South Africa last weekend, he said.

"We are studying the Swapo statement and we will try to address the points it raises as soon as possible."

Mr Cherif said Martti Ahtisaari, head of the UN Transition Assistance Group for Namibia (Untag), was in touch with UN and Swapo officials in the Angolan capital of Luanda and in New York in an effort to resolve the differences.

He added, however, that it was up to Angola and not South Africa or the UN to persuade SWAPO to comply with the withdrawal plan.

About 1,700 Swapo fighters are supposed to pull back under UN supervision to bases at least 90 inside Angola under a plan to revive agreements on Namibia's independence from South Africa.

South Africa's governor in Namibia, Mr Louis Pienaar, said on Monday the timetable leading up to independence elections on November 1 had not been affected by the fighting.

Benazir Bhutto to visit US for talks

BENAZIR BHUTTO, Prime Minister of Pakistan, will make her first official visit to the United States on June 5, the Pakistani Foreign Ministry announced on Tuesday, Reuter writes from Islamabad.

Ms Bhutto, 35, will speaking at Harvard University graduation exercises on June 8. She is a graduate of Harvard's Radcliffe College.

Ms Bhutto assumed office Dec. 2 after her Pakistan People's Party won the largest bloc of votes in the country's first free election in more than a decade.

The Prime Minister is to meet US President George Bush as well as members of his Administration and the American Congress.

"The visit will offer a major opportunity for a comprehensive exchange of views between leaders of Pakistan and the United States," said the official.

Pakistani diplomats, who would not be named, said the situation in Afghanistan would be uppermost on the agenda.

Washington is one of the biggest supporters of the Afghan resistance which has been waging a war against Kabul's communist government.

"Bush and Ms Bhutto will also review the situation in the region, particularly efforts by Ms Bhutto and Mr Rajiv Gandhi, the Indian Prime Minister, to improve relations between their two nations," said the diplomats.

Chinese agriculture minister 'faces sack'

By Peter Ellingsen in Peking

THE transformation of agriculture in China from a leading light of reform, to the "weakest link" in the economy, is a crisis which will soon claim the scalp of He Kang, the Agriculture Minister, observers believe.

The unenviable job of persuading farmers to eschew lucrative cash crops in favour of growing grain at lower, state-controlled prices, will probably go to state councillor Chen Junsheng, a former director of the party's rural policy research centre, and a man with a reputation for getting things done.

He will need all the political skill that a lifetime in the party has presumably developed. The scale of the crisis was plainly put at the weekend by Deng Xiaoping, the paramount leader. "Our grain is barely enough," he told a visiting head of state, and it was no exaggeration.

After four disappointing harvests, China is facing the prospect of not being able to feed itself.

Despite a strong emphasis on grain production, cash crops continue to outstrip grain. This year, when officials expect China's population to top 1.1bn, grain's share of crop cultivation will drop from more than 76 per cent to about 75 per cent.

Falling market prices last year saw rice output collapse, and this year corn output is set to fall, affecting the supply of fodder.

The government wants farmers to grow more grain and cotton, but a survey of more than 50,000 rural families in 30 provinces, indicates that output of cash crops tobacco and vegetables will rise by 18.2 per cent and 4.7 per cent, while cotton will fall 3.6 per cent.

Even though the recent session of China's parliament, the National People's Congress, decided to allocate more money to agriculture, boost state prices for grain, and limit the cost of fertilizer, the bountiful surpluses of the early 1980's are unlikely to return.

According to the authoritative China Quarterly official uncertainty about prices, markets and land utilisation means that it will be some time before the peak of 1984's grain harvest is achieved.

"Although agriculture under Deng Xiaoping made remarkable progress until around 1985, the more recent trends have been less impressive," it said.

Deng's reforms replaced Mao Ze Dong's rigid system of700,000 collectives with 190mn farm households, and introduced a period of unprecedented growth in production and living standards.

But they also gave the peasants more freedom in selecting crops, and failed to encourage rural investment. When the initial expansion in output led to a surplus, the state intervened to depress incentive, which led to a contraction of crops, including grain.

Quotas for grain were imposed, but often avoided and with fixed prices set by the state, it was more attractive for farmers to grow cash crops. After reaching peak levels in 1984, grain output fell in 1985 and has not recovered.

Takeshita may have lost his big Recruit statement gamble

By Ian Rodger in Tokyo

MR Noboru Takeshita, Japan's Prime Minister, took a big gamble in agreeing to appear before a hostile parliamentary committee to explain his role in the Recruit political financing scandal – and it looked in the immediate aftermath of the performance that he had lost.

Until two weeks ago, Mr Takeshita had been relatively untouched personally by the scandal, which has already caused 13 prominent businessmen and civil servants to be arrested and has tainted virtually every senior politician in the ruling Liberal Democratic party.

His Government's popularity had been severely damaged by the scandal, but he has clung to power because no plausible challenger within the LDP was clean enough to challenge him and none of the Opposition parties had the strength to shake him.

Then suddenly, a series of disclosures of huge contributions from Recruit companies to his support groups over the past three years put him on the defensive.

His cabinet's public opinion ratings took a further dive and Opposition leaders banded together and demanded his resignation and the dissolution of the Diet.

At the end of last week, a clearly shaken Mr Takeshita announced that he would conduct a full investigation and disclose the results in detail to the Diet budget committee.

Analysts said he was hoping that a full disclosure would put an end to the damaging succession of headlines. Also, he believed he could attract public sympathy by showing that he had done nothing illegal and demonstrating his eagerness to reform the political system.

Mr Takeshita must also have hoped that his voluntary forthright disclosure would intensify the pressure on Mr Yasuhiro Nakasone to do the same. Mr Nakasone was prime minister when Recruit was buying influence on a large scale, and recent reports in Tokyo suggest that the public prosecutor wants to arrest him on bribery charges.

In his one press conference on Recruit two months ago, Mr Nakasone denied any involvement and has since refused all pleas that he appear before the Diet to answer questions.

Instant soundings of public opinion on his performance yesterday suggested that many people were unimpressed. Some complained that they could not understand what Mr Takeshita had been saying. The Prime Minister is often

Takeshita: disclosure fails to impress Japanese public

accused of being vague and inscrutable in his speaking habits.

Whatever the instant analysis, the fundamental situation remains unchanged. No plausible challenger to Mr Takeshita is yet available. However, the prime minister's gamble does not appear to have paid off.

Indian top brass on alert over cuts

David Housego and K.K. Sharma on defence budget pressures

FINANCIAL pressures and an easing of international and regional tensions are forcing India and Pakistan to consider cutting defence costs. But in Delhi, where there has been virtually no discussion of what this will mean in terms of changing defence and foreign policy, senior officers are privately expressing concern at cuts in India's defence budget.

Spending on defence, as officially recorded in the budget estimates, more than doubled in the years 1984-88 to Rs132bn (£5.1bn) as the armed forces made massive equipment purchases. In this year's budget, presented to Parliament in February, expenditure was cut by Rs2bn.

In real terms the cut was much more serious because inflation is still running close to 10 per cent and the rupee has declined by 19 per cent against the dollar in the past year. Defence officials calculate that the purchasing power of the equipment budget – about 30 per cent of the total – has fallen 20 per cent.

Because of growing budget and balance of payments problems, the Indian armed forces have made no fresh purchases abroad over the last year-and-a-half. Previously India was the world's largest foreign purchaser of armaments.

The armed forces have thus postponed what were seen as urgent requirements such as a new trainer aircraft, the re-equipping with new engines of the Vijayanta (Vickers Mark 1) main battle tank, and the replacement of the 15 Jaguar aircraft that have crashed.

Western diplomats in Delhi believe that far from considering fresh arms purchases, the armed forces are having difficulty in keeping up with payments on weapon systems of which they are now taking delivery.

Apart from savings on equipment, the Indian forces are cutting inventory, logistics and back-up costs. Defence officials claim there is plenty of room for economies without reducing India's defence preparedness because Indian divisions are top-heavy with administrative staff and because of the lavish allowances the military have received.

But western diplomats believe that with less money available for ammunition and petrol, exercises and training will inevitably suffer.

The Defence Ministry portrays the cut in this year's defence budget as following careful consultation with the Foreign Ministry. In particular, they say, it reflected an assessment of a more relaxed regional environment after Prime Minister Mr Rajiv Gandhi's visits to Pakistan and China at the end of last year.

In reality, the defence cuts seem to reflect the severity of the squeeze on budget resources and foreign exchange with the government anxious to limit any further increase in domestic or external debt. In approving them, the government clearly had in mind that Pakistan and China were faced with similar pressures.

Ministry of Defence officials say that the cuts are not a short-term measure, but part of a medium and long-term exercise to reduce spending and improve efficiency. Defence costs have been pushed up in recent years not only by the expansion and modernisation of the armed forces but also by the costly operations of maintaining a 60,000-peace-keeping force in Sri Lanka and of air-lifting supplies to Siachin, the region in the high Himalayas disputed with Pakistan.

Senior officers do not conceal their dislike of the cuts and their fears of the implications. They believe the government has been too easily seduced by the change in tone in Pakistan under Ms Benazir Bhutto and in China, and by the relaxation in superpower tensions.

Though they recognise that there is more fluidity in international relations, they believe that the regimes in Pakistan, China or the Soviet Union could easily change and a backlash ensue.

In the face of this danger, they think India should continue to pursue its policy of active non-alignment while still increasing defence spending and hence military preparedness.

French deny aid ships are for Christian Beirut only

By George Graham in Paris

MR Bernard Kouchner, the French minister for humanitarian aid, yesterday tried to calm Moslem and Druze feelings over France's intervention in the conflict in Lebanon, amid vigorous criticism that the French are taking the side of the Maronite Christians.

Mr Kouchner indicated in Beirut yesterday that two French ships carrying fuel and medical supplies to Lebanon could be stopped if their arrival, due today, were "misinterpreted".

"France's humanitarian aid is destined for all the Lebanese and can only be properly applied with the agreement of all. We have come not to sharpen the conflicts but to stretch out a hand," Mr Kouchner said.

The French minister was due yesterday to meet General Michel Aoun, the Christian military leader who has been engaged in a three week battle with Syrian and pro-Syrian forces, as well as Mr Selim al-Hoss, the Syrian-backed Moslem prime minister, Mr Walid Jumblatt, the Druze chief, and Mr Nabih Berri, leader of the Shia Amal movement.

Commentaries in the Syrian press have been interpreted in France as anti-French threats, especially by Mr Jean-Francois Deniau, the opposition member of parliament who has embarked on a crusade against Damascus since his return from an official mission to Beirut last week.

Mr Deniau said, however, that he did not think Syria would shell the two French ships – the navy hospital ship La Rance and a private tanker chartered by the navy, the Penhors – when they arrive.

The two vessels are due to arrive at the Christian port of Jounieh. Moslem leaders want the ships to dock at Syrian-controlled Tripoli.

Israeli alarm at violence in Jerusalem's Old City

By Hugh Carnegy in Jerusalem

A SUDDEN escalation of violence and tension between Jews and Moslems in Jerusalem's walled Old City has alarmed the Israeli authorities.

The ancient heart of the city, where Jews and Arabs live in adjoining quarters, is sandwiched between Jewish West Jerusalem and Arab East Jerusalem. Despite sporadic outbreaks of violence, it has been relatively peaceful, compared with other areas affected by the 16-month-old Palestinian *intifada* (uprising) in the occupied territories.

Police and Palestinians clashed yesterday in the Old City, as hundreds of Arabs attended the funeral of Khaled Shawish, a 20-year-old Palestinian shot dead at the Jaffa Gate on Monday night by an unidentified gunman.

The bearded assailant was wearing an Israeli army uniform and a Jewish skull-cap and wielded an Uzi submachine gun routinely issued to army reservists. Three other Palestinians were wounded.

Responsibility was claimed by an extremist Jewish group, although police believed the gunman may have acted alone. Palestinians called a three-day strike in East Jerusalem in protest.

The attack was almost certainly prompted by rioting after Friday prayers last week at the Moslem shrines on the Temple Mount, when three Jews were injured by rocks and stones, which rained down on them, as they prayed at the Wailing Wall, the sacred Jewish site just below the Mount.

The incident deeply angered a wide-range of Jewish opinion. The authorities have since imposed restrictions on Palestinians coming into Jerusalem for Friday prayers, which this week will take place in an atmosphere of considerable tension.

The city of Sfax responds to the great call to work

Francis Ghiles looks at the Tunisian Government's efforts to instil the entrepreneurial spirit

IN 1882 a book written by the Chevalier de Hesse-Wartegg, the German traveller, noted that the city of Sfax, which lies 250 kilometres south of Tunis on the coastal road to Libya, was unlike any other in North Africa.

Its inhabitants were hard-working and industrious, they held jobs both within the city walls and outside, where they tended their orchards and olive trees. The city was clean, in fact the very byword of bourgeois respectability.

Today, 18 months after President Zine El Abidine Ben Ali ushered in an era of major political reform in Tunisia, and three years into major changes aimed at liberalising the economic management of North Africa's smallest country, "Sfaxiens" entrepreneurs are hard at work reconverting old plants and building new ones.

For 30 years after independence, the former head of state, Mr Habib Bourguiba, displayed both disdain for and fear of Sfax – the appalling main road to Tunis and ill-equipped airport bear ample witness to the consequences of such feelings.

Today, the Tunisian Government and the Governor of the Central Bank, Mr Ismail Khelil, can only draw comfort from the enthusiastic response in Sfax – more than anywhere else in the land – to their appeals to the private sector to step up investment and battle harder for export orders.

As investment in Tunisia overall declined by one-third in real terms to 810m Tunisian dinars in the three years to 1988, private metal fabrication companies, such as Société de Constructions Metalliques Navales et Industrielles (Socomenin) and Société de Constructions Industrielles et Navales (SCIN) were confronted with a sharp fall in new orders.

Socomenin had already branched out into such activities as maintenance of the oil and gas industries (there are a number of small oil and gas fields offshore and onshore in the region).

Its genial self-made owner, Mr Nasr Fersi, decided to start making machines for the fast-growing food-processing sector, in particular fish and seafood. Exports of the latter have more than trebled between 1985 and 1988 to TD90m ($85.2m).

But his proudest achievement is winning an order for a new milk-treatment plant at Sidi Bou Ali, near Sousse, against tough competition from European companies, and building it for one-sixth of the price of his nearest competitor. He chuckles as he recounts how senior officials in Tunis could not believe that one of their countrymen had mastered modern technology. Socomenin is now building pharmaceutical equipment and refuse-collection vehicles.

President Ben Ali: a call to progress

SCIN, which works next door to Socomenin in the industrial area of the port of Sfax, has turned its attention to building fishing vessels with part-steel frames, a novelty here. One hundred and forty such boats are currently being built, and activity is as intense on weekends as during the week. SCIN is also hoping to win an order for ferryboats which will link the mainland with the popular holiday island of Jerba farther south.

Twenty kilometres south of the city, Mr Baccouche Agrebi is busy putting the finishing touches to a plant which will manufacture high-quality domestic tiles.

In 1882 a German traveller noted that the inhabitants of Sfax were hard-working and industrious, they held jobs both within the city walls and outside, where they tended their orchards and olive trees. The city was clean, in fact the very byword of bourgeois respectability.

Until last year, he was in charge of the state ceramic plant, but, as a good "Sfaxien," he clearly enjoys the challenge of a private concern whose production will not only meet the bulk of fast-growing domestic demand but is also expected to win orders in the US. This TD11m project, which is the brainchild of Mr Abdelwahab Ben Ayed, the chairman of the highly successful Poulina food processing group, is ideally suited to pick up the opportunities offered by the authorities, especially in this case where all the raw materials needed can be found in Tunisia.

Meditex, which makes garments for names such as Lacoste and Daniel Hechter and other clothes manufacturers in the town are so successful that skilled female workers are becoming a scarce commodity.

In Tunis and other provincial cities, private entrepreneurs often lack the dynamism and inventiveness of their Sfax counterparts. Too many grew rich quickly in the late 1970s and early 1980s, as they enjoyed cosy monopolies, often protected by tariff barriers which could be as high as 220 per cent and were often linked to powerful members of the establishment, usually members of the President's or Prime Minister's family. Today, they still clamour for more state aid, despite the help Mr Khelil, who has masterminded the policies of austerity and trade liberalisation since 1986, has afforded them. Some have gone bankrupt, others will.

The greatest challenge to the Government remains the state enterprises which alone account for two-thirds of the country's industrial output. Overmanning and laziness have become very much a way of life in companies where shedding labour presents a major social and political challenge.

With the exception of the large Sogitex textile plant, only a handful of small state-owned companies have been privatised, essentially on a case-by-case basis.

It appears that private companies are heeding the authorities' pleas to invest more. Exports increased by 14 per cent last year with textiles, leather, fish and fertilisers turning in star performances. The drought did, however, cut gross domestic product growth measured in real terms to 0.9 per cent.

The rainfall this winter has been average, but will provide a boost to the living standards of those 40 per cent of Tunisians who live on the land and could help to achieve a 5 per cent increase in GDP this year. Even if fewer Libyans visit the country in 1989 (last year they spent $300m, especially in the poorer south of the country) and tourist receipts do not match last year's record, the 8.2 per cent boost in public spending should help rekindle activity. The greatest challenge presented to Mr Ben Ali lies elsewhere – facing up to the unimaginative and plodding ways of thousands of civil servants and public sector workers who find it difficult to believe that mother Tunisia does not owe them a living for nothing.

Tunis reshuffle gives independents posts

By Jihan el-Tahri in Tunis

PRESIDENT Zine El Abidine Ben Ali of Tunisia appointed two independent ministers to his cabinet yesterday, giving his government a more liberal flavour in a reshuffle before further economic reforms expected in the weeks ahead.

Mr Mohammed Charfi, president of the independent League for Human Rights, will be in charge of education and scientific research.

Mr Daly Jazi, a founding member of the centre-left Democratic Socialist Movement (MDS) who resigned from the party at the weekend, was given the Ministry of Health.

As expected, Islamic activists who ran in this month's parliamentary elections as independents were not appointed to any ministerial posts.

The Islamic movement won 13 per cent of the vote in the parliamentary elections held on April 2, but all the 141 parliamentary seats contested went to the ruling party.

Despite the headlines in the government newspaper La Presse at the time, to the effect the poll had been heavy, it was in fact characterised by a low turnout because of the scarcity of elector's cards.

Most key ministers have remained in their posts. Mr Mohammed Ghannouchi, the Planning Minister, has also taken on responsibility for finance. Prime Minister Mr Hedi Baccouche, Foreign Minister Mr Hamid Esheikh, Interior Minister Chedli Naffati, and Central Bank Governor Ismail Khalil all retained their former portfolios.

Mr Moncer Rouissi, a close aide of the President, was appointed Minister of Social Affairs.

Mr Abdullah Kallel, the former head of the defence ministry under the President, is now Defence Minister, the portfolio formerly held by President Ben Ali himself.

Mr Habib Boulares, a liberal member of the ruling Democratic Constitutional Union (RCD), has kept his post as Minister of Culture and was given the supplementary portfolio of information.

Other changes were made in minor government positions.

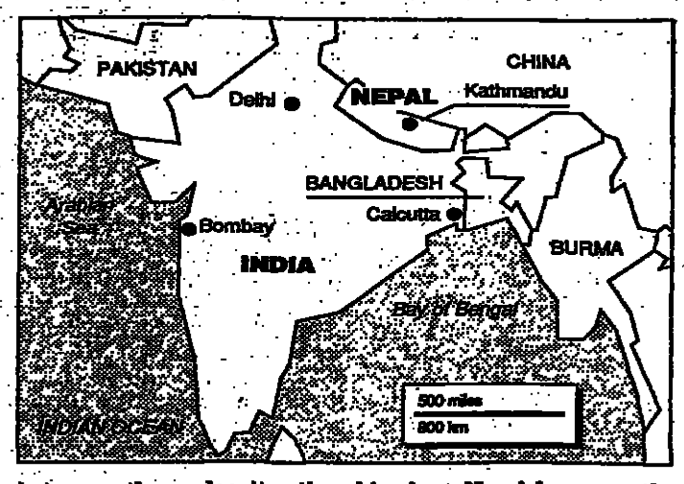
Today's cabinet reshuffle is the second since President Ben Ali ousted former President Habib Bourguiba from power in November 1987.

Ben Ali, since taking power in the palace coup has promised to bring increased democracy to his North African nation.

President Ben Ali was given a five-year mandate by the presidential elections also held on April 2, in which he won 99 per cent of the vote in the first presidential elections held for 14 years.

Landlocked Nepal sets sail on a sea of troubles

K.K. Sharma on the worsening relations between the mountain kingdom and China and India



IF THE hawks in the Indian Ministry of External Affairs have their way, the "special relationship" between India and the small landlocked Himalayan kingdom of Nepal that has existed for decades will soon be terminated, much in the same way as the 10 year old trade and transit agreement between the two neighbours was allowed to expire last month.

If this happens, all the concessions the two countries have given each other will vanish and go the same way as bilateral trade, which is now at a standstill. The hawks, who now hold sway in the ministry, want the entire Indo-Nepal treaty of friendship signed in 1950 renegotiated. They are pushing the Nepalis against the wall to force the pace.

This is reflected in the termination of bilateral trade contracts, especially those for refining Nepali-acquired crude in India at a nominal cost, and the abrupt refusal to renew the trade and transit agreement. This has led to considerable hardship in Nepal, which faces a severe shortage of petrol that could seriously endanger its lucrative tourist trade and has disrupted normal transport services.

Despite Indian assurances that essential supplies such as baby food and medicines would be allowed to reach Nepal quickly through the two of the original 15 transit points that remain for trade with the small kingdom, Nepali diplomats claim that all supplies have been curtailed.

This has already led to shortages in Nepal which its Government is trying to prevent by airlifting imports from Singapore, Dhaka and Hong Kong bought with scarce hard currency. How long the resilient Nepalis can hold out remains to be seen.

Further difficulties will arise if the 1950 treaty is abrogated since it will end the special relationship between the two countries and place their links on the same footing as with other countries. Trade will obviously be affected but there are many other facets which have cemented relations between them despite the strains that have arisen over the years.

The treaty provides for an open border between India and Nepal which has allowed nationals of the two countries to travel without passports and visas for years. There are no currency restrictions and many wealthy Indians make frequent visits to Kathmandu on shopping sprees for electronic and other goods not available in their own country or to try their luck at casinos specially opened for them.

More important, the induction of the tough Gurkhas into the Indian Army, of which they are an integral part, is threatened by the end of the special relationship. These have battled in Indian infantry battalions in many wars, and have endeared themselves to their officers because of their courage and warlike spirit.

Also threatened are special rights for businessmen of both countries, as are concessions in bilateral trade of agricultural and other products that have been mutually beneficial for decades. Hundreds of thousands of skilled and white-collar Indian workers employed in Nepal stand to lose jobs and Nepal will be hit by the fall in aid for development projects.

The hawks in India point to the steady tilt by Nepal towards China as the reason for the tough stand now being taken towards the Himalayan kingdom. Nepal has recently bought Chinese arms, including anti-aircraft weapons, has given concessional customs duties on Chinese imports that were once promised to the Indians and has permitted Chinese workers to be employed on projects near the Indian border.

At the same time, Nepal has annoyed India by such measures as requiring all Indians employed there to obtain work permits.

What has also troubled India is that the 15 transit points given to Nepal and the long open border were allowed to be exploited by smugglers who have flooded India with electronic and prohibited goods.

Nepal has always maintained that it is equidistant between India and China and is anxious to promote good relations with both, a not unexpected wish on the part of a tiny nation lying uneasily between two giants. Indian hawks feel Nepal should not then seek the concessions and benefits from the 1950 treaty.

This is the background to the present unexpected policy of economic attrition against Nepal which has created the not unjustified impression that India is starving out a small, if stubborn, neighbour. The resultant economic squeeze seems to be heading towards a harsh climax unless New Delhi reverses its decision to cut off supplies

Kathmandu set to test Indian trade 'blockade'

NEPAL is set to test what it calls an Indian economic blockade of the kingdom by attempting to bring across India a shipment of 7,000 tonnes of oil from Singapore, Reuters reports from Kathmandu.

"This is the real crux," said Foreign Secretary N.B. Shah. "We'll fight it out one-on-one. We think right is on our side.

The first consignment of petroleum will arrive on Saturday in Calcutta, from where Nepal expects India to allow its transport by trucks through Indian territory and into Nepal.

India closed 13 of 15 border-crossing points with the landlocked Himalayan kingdom on March 23 on the expiry of two treaties governing trade and transit between the two countries.

Nepal, which has relied on India for its annual requirement of 200,000 tonnes of petroleum, is now seeking other sources of oil and essential commodities, Nepalese officials said.

"That means this opens a future flow," director-general of tourism Dipendra Dhakal said. "This is something like a test case. The Government would like to know how India will react to it."

Mr Chiran Thappa, spokesman for King Birendra, said: "We'll be entering a different world, but better to be part of the world than part of some country's shadow."

He said Nepal would gladly accept the current situation on trade across the border as long as India lifted its total economic blockade.

"We see markets nearby with whom we can trade very profitably," Mr Thappa said. "We're looking at Hong Kong, Thailand, Singapore, Japan and Thailand."

Trade will still go on with India but at a much reduced level, he said. The Government has already begun rationing petrol, and last week closed all college and university campuses after a student demonstration led to clashes with police.

Several small and medium-sized industries have shut down for lack of fuel, officials said.

Greenspan warns on capital for S&Ls

By Anthony Harris in Washington

MR ALAN Greenspan, Federal Reserve chairman, has strongly warned the Senate Banking Committee against any dilution of the capital requirements contained in President Bush's reconstruction plan for the savings and loan industry. Inadequate capital, he wrote, "invites continuation of the conditions which have led to the present crisis."

Thrifts must "achieve and maintain minimum risk-based capital ratios no less stringent" than those applied to banks.

The committee is considering amendments which would allow the banks to count goodwill, loan-loss reserves and other non-equity elements as core capital. Mr Nicholas Brady, Treasury Secretary, has threatened to advise a veto of any measure too lenient to the industry in these respects.

● An EC decision to insist on "mirror-image" reciprocity in international banking relationships "will benefit no one except banking lawyers," Mr Robert Heller, Federal Reserve Board Governor, warned yesterday. He urged the EC to adopt instead a national treatment approach.

US accepts a woman's place is in the economy

Stewart Fleming reports on employers' and politicians' responses to the need for child care facilities

NO matter what time of the night or day they go to work, the 500 employees at Nyloncraft's plant in Mishawaka, Indiana, know there is somebody on hand to look after their young children.

Ten years ago, Mr James Wyllie, then the chief executive of the plastic mouldings supplier, was faced with a damaging rate of labour turnover. In 1978 the company recruited 900 people to fill 250 jobs at the plant, with training costs running as high as $2,000 each.

Mr Wyllie decided to do something about it. First he provided his workers with transportation. However when this cut down on absenteeism but not the turnover of employees, he decided to set up a round-the-clock day care centre.

"I have a staff of 26 people operating 24 hours a day providing care for around 180 children between the ages of 2 and 12," says Ms Loretta Kollar, the director of the centre. Her budget, she says, runs to $366,000 a year. Nyloncraft employees pay half the $3,400 a year the centre charges for child care. "The turnover rate (in the factory) is now 3 per cent, not 300 per cent," she says.

Ms Kollar underscores just how badly such services are needed. The majority of the workers at the plant are women she says, many of them, as a result of divorce, single women with children.

According to Ms Arlene Johnson of the Conference Board, a business research organisation, Nyloncraft is one of a small but growing band of companies providing day care services to their workers. About 900 employers offer day care facilities. A further 3,000, including IBM for example, are helping their workers meet day care needs either financially or, through referral services, to find day care.

Changes in workforce put day care on government's agenda

LAST MONTH President George Bush, in his first big legislative initiative, outlined proposals for making it easier for the working poor to afford child care.

But his attempt to put legislative flesh on the bones of his presidential election campaign pledge has served only to highlight uncertainty in Washington about the role government should play and how child care should be integrated with other areas of social policy.

The depth of the confusion on child care legislation is reflected not only in the proliferation of proposals over the past year, but also the incongruous alliances formed on the issue.

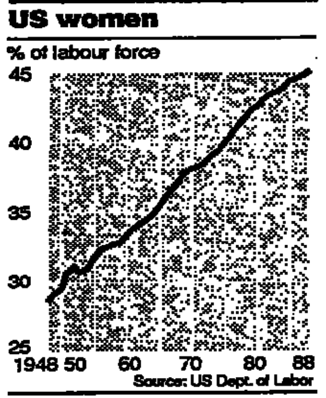
Senator Orrin Hatch, a far-right conservative Republican from Utah for example, is one of the leading backers of the Act for Better Child Care Services (the ABC Bill), a piece of legislation proposed by Senator Christopher Dodd, a Connecticut Democrat. The ABC Bill has strong support in the Democratic Party and is widely seen as the main alternative to Mr Bush's approach.

On the other side the Children's Defence Fund, the most powerful lobbying organisation for children in the capital, is supporting Senator Dodd's bill even though liberal critics argue that the Bush Administration's approach does a better job getting federal support to the poor.

What is missing in Washington is a co-ordinated attempt to to fit child care legislation into a broader social policy framework.

Experience at the state level, with Massachusetts' Education and Training programme for example, indicates that at least as important for working mothers as cash for child care is health insurance coverage to protect their children when they are sick. The child care bills do not address this issue.

US women



Source: US Dept. of Labor

A bipartisan congressional commission is looking separately at the challenges raised by the nation's woefully inadequate health services.

The fact that Mr Bush's proposal is being presented as a child care bill at all is muddying the debate about its merits. Some social policy analysts argue that it is in effect a "negative income tax" plan aimed at the poor.

Mr Bush, emphasising parental choice, is proposing a new tax credit of up to $1,000 a child under the age of four for families with incomes up to $13,000 a year.

He also proposes to reform the existing child care tax credit so that, like the new credit, people too poor to pay taxes will get a cash payment from the Government. The so-called "refundability" of the credit, social policy analysts say, makes it like a negative income tax.

Qualified families will get the money even if one of the parents is staying at home to look after the children. The principle behind the bill is that individuals can decide whether they want to spend their additional dollars on child care.

The ABC Bill, by contrast, is aimed at giving federal government a more active role. It provides for federal funds to be channelled to the states to subsidise day care centres for families with children up to the age of 15 who earn up to the median income in their state (the national average is $33,000 for a family of four).

The benefits would not be so narrowly aimed at the very poor and they would be tied to the provision of day care and to requirements that day care providers meet specific health and safety standards.

Both bills envisage initial federal funding of up to $2.5bn a year. There are few illusions but that providing adequate quality day care is going to cost much more than this, and leading Republicans made this point last week to Mr Bush.

Powerful political and social forces are at work to ensure that government, as well as the corporate sector, will seek to increase the availability of child care services. In the US, 57 per cent of women with a child under six are working compared with only 12 per cent in 1950.

It is not so much concern about children as sensitivity to the women's vote which is helping day care achieve such prominence. Much of the growth over the next decade will be because of the influx of more women on to the job market.

US Speaker fights back in ethics probe

By Lionel Barber in Washington

MR JIM WRIGHT, Speaker of the US House of Representatives, has begun a counter-attack behind the scenes against what is expected to be a damaging report by the House Ethics Committee on his financial dealings.

The committee has voted to cite Mr Wright – the country's most powerful elected Democrat – on at least one count for ethical violations, according to reports here yesterday.

Mr Wright remains outwardly confident that he will survive the 10-month inquiry.

The key question is whether the committee – six Democrats and six Republicans – confines itself to charging bad judgment by the Speaker, or whether it votes to issue a reprimand and a call for further hearings. Such a step would probably be fatal to him.

The panel is primarily concerned with a deal in which Mr Wright received an unusually high 55 per cent in royalties for a paperback book which was sold in bulk to, among others, the Teamsters' Union. The deal may have been an effort by Mr Wright to circumvent House rules on outside income.

Brazil data 'distorted by black economy'

By Ivo Dawnay in Rio de Janeiro

FIGURES showing a 9.9 per cent fall in Brazilian industrial activity in February, against the equivalent month last year, are leading economists to conclude that the country's black economy is now heavily distorting official statistics.

Many analysts agree that the January anti-inflationary programme is likely to induce recession, but the scale of the fall in output suggests that the government's statistics agency, IBGE, has taken a poor sample or that businesses are intentionally under-reporting their performance.

This month, the Commercial Federation of São Paulo state, the country's industrial heartland, reported a remarkable 12 per cent rise in retail sales in February against the previous month.

Furthermore, formal employment in the state fell by 27,200 in the first quarter or 0.5 per cent, but the downturn ought to have been much greater if the 10 per cent collapse in industrial output is accurate.

In January, São Paulo industry reported a 0.2 per cent fall in output, yet Eletropaulo, the state's electricity utility, reported a 3.8 per cent increase in sales to factories.

These contradictions are persuading some economists to conclude that companies are shifting rapidly into off-the-books activities to avoid taxation and the costly new labour provisions imposed last year in Brazil's new constitution.

Dr Paulo Rabello de Castro, a leading monetarist, believes that the result is only confirmation of a great retreat by business from the formal economy. "The black economy used to be under control, but now it is taking off," he said.

Reuter reports from São Paulo: A national strike by stevedores, demanding better pay, paralysed Brazil's main ports yesterday, including Santos. Workers are demanding a 186 per cent pay rise and a 44-hour work week.

Pinochet and army rattle sabres at opposition

By Barbara Durr in Santiago

IN TWO statements that have suddenly raised Chile's political tension, President Augusto Pinochet and the army have warned that they will not tolerate a left-leaning regime when the country returns to democracy after an election in December, and that the army will act as "guarantors of sovereignty and freedom."

The army issued a highly unusual communique on Monday, saying it found recent unspecified statements by politicians offensive "to the dignity and future situation" of Gen Pinochet. The army said it saw these offences "directed against every member of our institution."

At the same time, Gen Pinochet said the armed forces were "watching carefully to assure that those who aspired to govern Chile are true democrats." He added, referring to the opposition, that the armed forces are "convinced that a grave danger is gathering over our beloved Chile."

Mr Mario Otorga, vice-president of the moderate social democratic Radical Party, one of the 17-member opposition Coalition of Parties for Democracy, said the statements from Gen Pinochet and the army showed "their intention to place themselves in a political role, and that they have not accepted the country wants a change."

The army was apparently referring to statements by opposition figures that Gen Pinochet should not continue as commander-in-chief of the army for another eight years after a democratic government takes office in March 1990, as provided in the constitution.

Peru faces strike wave

By Veronica Baruffati in Lima

A WAVE of strikes announced for this week in Peru comes amid disappointment at a speech late on Monday when, against expectations aroused by the Government, Mr Armando Villanueva del Campo, Prime Minister, omitted to provide a detailed account of a plan to reactivate the economy and fight subversion. Instead, he appeared to improvise for 90 minutes, offering nothing new.

Mr Villanueva maintained that the Government's gradualist economic policy had achieved its objectives.

Ten thousand workers in the judiciary came out on strike yesterday, demanding their wages, which are two months overdue. Cheques paid to the Judiciary workers have bounced because of lack of funds.

In the Health Ministry 8,000 doctors are staging a 48-hour strike, as of today, in protest at the lack of finance to provide adequate care for patients, and in pursuit of the doctors' demands on pay and conditions. The doctors' association said only emergencies would be attended during the strike.

Argentina trade surplus surges

A 40 PER CENT increase in export earnings raised Argentina's trade surplus for 1988 to $3.622bn, the government stated yesterday. The 1987 surplus was $540m, Gary Mead repots from Buenos Aires.

During 1988 Argentina exported $8.94bn, against imports of $5.32bn which represented a drop of 8.6 per cent.

The figures show Argentina still heavily dependent on traditional agricultural exports.

Teams 'confirm' cold fusion

TWO US attempts to replicate experiments at the University of Utah, which seemed to have produced cold nuclear fusion, appear to have confirmed the Utah results, Anthony Harris reports from Washington.

A Texas A and M University team said its experiment confirmed an energy gain in the reaction, while a Georgia Tech experiment showed the reaction was nuclear, not chemical.

WORLD TRADE NEWS

Tokyo steps up pressure to buy foreign chips

By Ian Rodger in Tokyo

JAPAN's Ministry of International Trade and Industry (MITI) has called a meeting next Monday of four associations representing semiconductor users to find out plans for stepping up purchases of foreign chips.

The move comes as US Government officials are considering whether to prosecute Japan for unfair trade practices under the super 301 clause of last year's trade act. The US has been complaining that Japan has not lived up to an understanding associated with the 1986 bilateral chip pact that foreign companies' market share in Japan would rise to 20 per cent by 1991.

In April 1987, the US imposed punitive 100 per cent tariffs on a wide range of Japanese electrical products for alleged violations by Japan of the chip pact. These sanctions were partially removed in subsequent months but, to the irritation of Japanese officials, many remain because of US unhappiness with the lack of progress on the market share issue. Foreign suppliers now have about 10.8 per cent of the Japanese market compared with 8 per cent three years ago.

Japanese officials have argued that foreign companies' actual sales in Japan have jumped by 76 per cent since the chip pact was signed. They say it would have been even higher if foreign companies had had the capacity to supply more of the chips Japanese customers wanted to buy.

So far, foreign suppliers have fared best in dealing with Japan's huge, integrated electrical groups, such as NEC and Toshiba. MITI officials say some of these companies already buy more than a fifth of their chips from foreign sources. However, progress has been slower at the small, medium and specialised manufacturers accounting for about 70 per cent of Japan's chip consumption.

Last year, MITI published an English language guidebook to these companies, indicating their needs and specifying their purchasing managers. Also, a seminar has been held in California. Now MITI is calling in leaders of four industrial associations representing most of these chip users to step up the pressure. The four are the International Semiconductor Co-operation Centre (INSEC), the Electronic Industries Association of Japan (EIAJ), the Association of Automobile Parts Industries Association (AAPIJ) and the Distributors' *Association for Foreign Semiconductors* (DAFS).

A MITI official said yesterday that they would be encouraged to expand their purchases of foreign chips and would be asked to explain their purchase plans. He denied that the meeting was called out of fears about a US super 301 action. "This is *business as usual*. MITI is committed to the expansion of market access. We are doing it now because we are at the start of a new fiscal year," he said.

McDonnell tri-jet deliveries will be delayed

By Michael Donne, Aerospace Correspondent

THE DOUGLAS Aircraft Division of McDonnell Douglas, which is developing the new *MD-11 tri-jet long-range airliner*, has told customers deliveries will be up to three months later than May, 1990, as originally planned.

Four reasons are cited: problems associated with rapid growth of employment on the development programme, changes in fundamental design, coupled with other changes in the configuration of the aircraft to meet customers' demands, and late deliveries of parts and sub-assemblies.

These problems are not new in the aerospace industry. Last year Boeing delayed deliveries of early models of its new 747-400 Jumbo jet because of delays in parts supplies, changes requested by customers, and problems of certificating a new aircraft with three different types of engine.

McDonnell Douglas says by March 30, it had booked firm orders for 92 MD-11s, and had additional commitments for 177 more, making a total of 269.

Three versions have been ordered – passenger, cargo and "combi" passenger/freighter models, and there have been "many variations in customer configurations".

McDonnell Douglas is meeting the problem by instituting a new "total quality management system", designed to build "first-time quality" into aircraft at every stage.

Moscow revolutionises Cuba ties

Comrades in ideology now seek balance in trade, writes Tim Coone

THERE WAS once a time when Cuba's main exports were considered to be sugar, cigars and revolutions.

The image persists; but the Soviet-Cuban presidential summit has outlined a very different future for the country. At the crossroads to the three Americas – North, Central and South – Cuba's past history made it one of the Spanish empire's key colonial outposts. It later became the main sugar supplier to the US and a favourite American playground for gambling and prostitution.

The 1959 revolution led by Fidel Castro and "Che" Guevara on the doorstep of the US turned it into a pariah over night. The continent, with the exception of Mexico, turned its back. Political and economic isolation has made the Soviet Union, 11,000 miles away, Cuba's principal trade partner.

Today, 87 per cent of Cuba's foreign trade is with Comecon partners in Eastern Europe. Some 72 per cent of that is with the Soviet Union. Each year 4m tonnes of sugar, 500,000 tons of citrus, and some 40,000 tons of nickel are shipped to Comecon in return for oil, fertilisers, steel, and a host of other raw materials and industrial goods.

The overwhelming importance of this trade to the Cuban economy can be appreciated from the fact that it represents almost 40 per cent of Cuba's gross social product (a Comecon-based indicator for economic output). Cuba is persistently in deficit, though. The last five-year plan of 1981-85 produced a trade deficit with the Soviet Union of 3bn pesos ($4bn). The current 1986-90 plan is expected to produce a similar deficit.

CUBA'S TRADE WITH THE SOVIET UNION

	Exports	Imports	GSP†
1981	2.4	3.2	22.2
1982	3.3	3.7	23.1
1983	3.9	4.2	24.3
1984	4.0	4.8	26.1
1985	4.5	5.4	27.0
1986	4.0	5.3	26.5

†Gross Social Product
All figures in bn Cuban Pesos

Since Cuba joined Comecon in the 1960s, there has been a political commitment by the trading block to subsidise the Cuban economy, to bring its living standards into line with the rest of the Comecon nations. Today that objective has been largely achieved, but still only with Soviet aid and trade subsidies. Besides deficit financing, the Soviet Union pays Cuba support prices for sugar some four to five times the world market price. Oil re-exports earn Cuba as much as $500m a year in hard currency.

In addition there is also finance for infrastructural projects such as power stations and oil refineries.

However there is now a growing desire in Moscow that Cuba should be prepared to stand on its own feet. Soviet officials attending the summit in Havana last week insisted that Cuba and the Soviet *Union should balance their* trade.

New Cuban citrus and nickel projects are coming on line, and investments in the electronics industry for the manufacture of computer keyboards and circuits is for the first time making Cuba's exports more diversified.

Cuba's sugar industry has a continuing role to play in Comecon, but according to Mr Alexander Kachanov, Soviet vice minister for external economic relations. Cuba's present supply of 4m tons annually to the Soviet Union (with an annual consumption of 12m tons) "is about an optimum level with maybe a slight increase in the future".

The industry is thus a mature one and, according to Mr Kachanov, Soviet support efforts are now aimed at greater mechanisation and modernisation of Cuban production. In short, more efficient production will enable the price subsidy to be reduced, thereby reducing the Soviet Union's own cost structure – a key element in the Soviet Union's economic restructuring under "perestroika". With Cuba a raw material supplier of sugar and nickel to the Soviet Union, its high costs of production *signify high Soviet costs of pro*duction for finished products.

In Havana President Mikhail Gorbachev was emphatic that there should be greater efficiency in the Cuban economy to maximise the use of compar*ative advantages of the two* countries.

"This will permit Cuba to have a more active participation in the system of division of labour within Comecon, and even more so in world trade including that with Latin America," he said. In this respect Soviet-Cuban joint ventures "can be especially effective".

For the first time in 30 years, the Soviet and Cuban perception of Latin America is thus increasingly an economic one, rather than a purely ideological one.

The Soviet Union already has substantial trade links with some Latin American countries. Argentina in particular is an important supplier of wheat and grains. Moscow, though, has still to make a breakthrough as a significant supplier of capital or consumer goods to the continent.

In addition to the different and generally distrusted Soviet technology, language and cultural barriers as well as political ones have worked against the Soviet Union's penetration of the Latin American market. However, while "perestroika" is aimed at breaking the technological, institutional and political barriers, Cuba as a vehicle of Soviet technology *can break the language and* cultural ones.

Sharp fall in Western textile output

By Alice Rawsthorn

THE EUROPEAN and North American textile industries started 1989 in a depressed state after sustaining sharp falls in output in the closing months of last year.

The latest statistics from the International Textile Manufacturers Federation in Zurich indicate that the level of output and orders in the spinning and weaving sectors were lower in the fourth quarter of 1988 than in the same period of the previous year.

In contrast the textile industries of South Korea, Taiwan and Japan experienced increases in output, though these industries too experienced difficulties with high stocks at the end of the year.

Throughout 1988 the trends in the world textile trade were dominated by the decline against European currencies of *those Far Eastern currencies* linked to a falling US dollar. This made it easier for textile companies in countries such as South Korea, Taiwan and Hong Kong to sell to Europe.

Spinning and weaving in the US, Norway and Switzerland saw output fall by more than 10 per cent in the final quarter, according to the ITMF. The UK spinning sector, which has been hit by a series of cuts and closures, sustained a 14 per cent fall in output.

Similarly spinning orders fell by more than 10 per cent in France, Italy and the UK. Weaving orders slipped by the same degree in the US, Norway and Spain.

The pattern of world trade in the final quarter of 1988 represented a continuation of the trend during the full year. The US industry was buoyed temporarily by the dollar's weakness, but it was still hampered by a low level of automation and hefty borrowings after its rash of leveraged takeover bids and buy-outs.

The European industry performed poorly throughout the year. There were job losses and factory closures in France and the UK, especially in sectors such as hand knitting, yarn spinning and knitwear where the increase in South *East Asian imports was exac*erbated by poor demand.

Seoul arrests 35 top counterfeit goods offenders

By Nancy Dunne in Washington

AN anti-counterfeiting task force appointed by the government of South Korea arrested 35 major offenders and seized $2m in counterfeit goods in the *three months of its existence*.

Dr Duck Woo Man, former South Korean Prime Minister and president of the Korean Trade Association, this week acknowledged problems with the enforcement of the country's intellectual property rights legislation. But 900 special investigators had been assigned to press the campaign against counterfeiting.

Dr Man carried his plea for US-South Korean trade peace to the US Chamber of Commerce. That group has recommended that South Korea, along with Brazil, India and Japan, be named a target of the new Super 301 provision of last year's Omnibus trade law for its barriers to exports. Super 301 countries will get intense attention from the US Trade Representative, who will try to negotiate an end to barriers or order trade retaliation.

Dr Man indicated that the 16 per cent increase in the value of the won against the dollar may have now reached its "appropriate level." The country has been facing spiralling labour costs, an upsurge in labour disputes and rising inflation.

Export growth has declined sharply, turning the nation's current account into deficit in March for the first time in 19 months. In 1988 Korea's imports from the US increased by 46 per cent, while exports to the US rose only 17 per cent.

Dr Man insisted the South Korean government is committed to opening its markets. Beef imports, which rose to 10 per cent of domestic consumption last year, could hit 25 per cent in 1989. The result has been violent demonstrations by Korean farmers.

"I wonder if it is really in America's best interests to weaken the government and to stir up anti-American sentiment for the sake of a few hundred million dollars a year in additional US farm exports to Korea," he said, "especially when Korea is already the second largest foreign market for American farmers."

South Korea has been giving US exporters the kind of help the US once sent to developing countries. Sales have been boosted by buying missions and export financing. A subsidiary of the Korea Foreign Trade Association has even made available rent-free exhibition space for American exporters.

Dr Man urged American companies to form joint ventures with South Korean companies to penetrate markets in China and Eastern Europe. But, he said, it is up to American companies to take advantage of the opportunities.

Leading Austrian bank signs Georgian hotel deal

By Judy Dempsey in Vienna

CREDITANSTALT-Bankverein, Austria's leading bank, has signed a financing deal worth Sch890m (£39.5m) to build a luxury hotel in the Soviet republic of Georgia.

The hotel, one of several which Creditanstalt intend to finance over the next few years, will be built by Allgemeine Bauten-Vertriebsgesellschaft (ABV), which has had *long experience in building* hotels in Eastern Europe and the Soviet Union.

Another Austrian bank, Zentrasparkasse has also contributed to financing the project, which bankers believe reflects the more flexible attitude by the Soviet authorities towards western financing and joint ventures.

ABV, which is part of the Vienna-based Warimpex Finanz group, hopes to complete *the five star, 716-bedroom hotel* by spring 1991.

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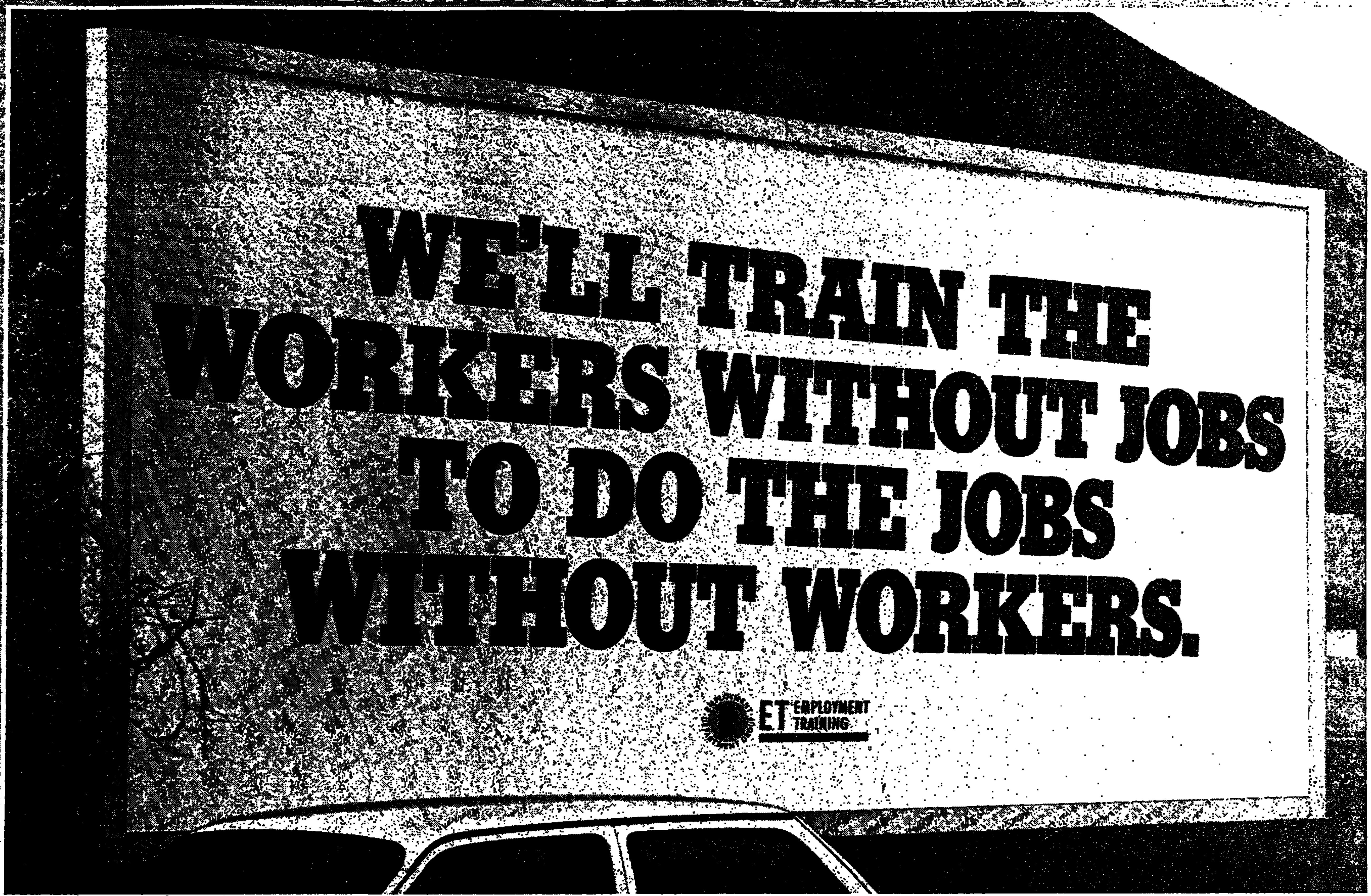

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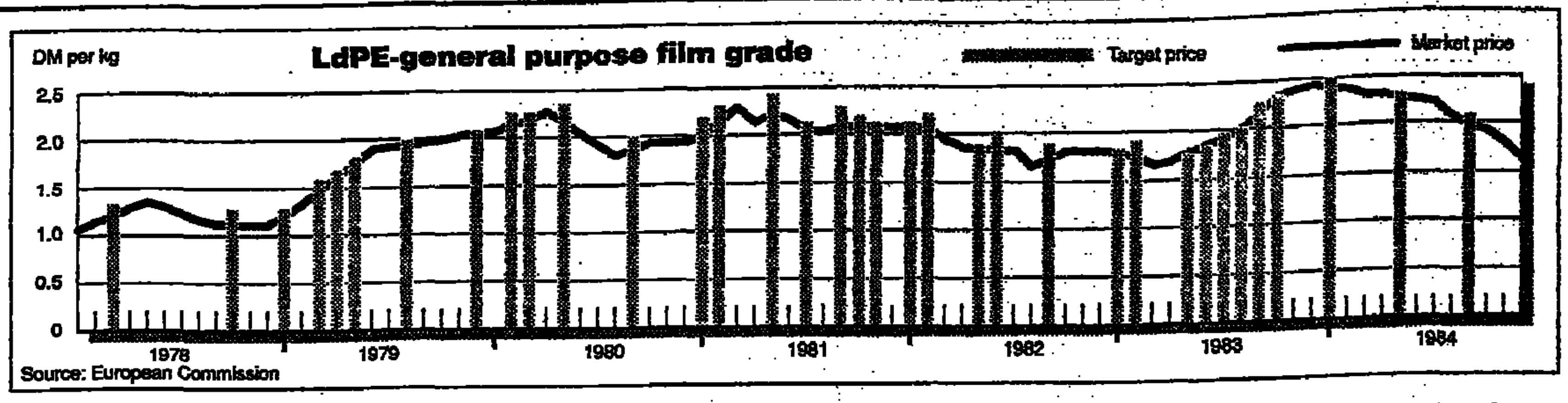
William Dawkins describes how many of Europe's chemicals companies were caught operating an elaborate price-fixing scheme

Victory for the cartel busters



Source: European Commission

The problem with being caught doing something wrong is that you get punished even if you fail to profit from the exercise. Nobody knows that better than the senior executives of Europe's top 23 chemicals companies, fined recently for running possibly the most spectacular illicit cartel ever uncovered in European Community. They attempted, with very mixed success, to carve up the £6bn European market for PVC and low density polyethylene (LdPE), two kinds of plastics – of which they represented nearly the entire EC output – made for a very wide range of daily uses from cling film through supermarket bags to roofing panels.

The punishment, an Ecu 60m (£92m) fine from the European Commission, was the biggest ever imposed by Brussels for illicit market sharing. It brings to nearly Ecu 120m the EC market-sharing penalties levied on plastics companies over the past three years. All they had to show for it were a few marginal and short-lived price increases, partly a tribute to the cartels' internal problems and partly an illustration of just how hard it is to buck markets anywhere.

In the end, their secret collaboration only helped put off for a few years the inevitable closures needed in an industry that was then burdened with heavy surplus capacity. The full details of this saga of double-dealing was published on March 17 by the Commission's competition authorities – and it makes salutary reading.

It shows the amazing ease with which some of Europe's most respected chemicals producers – ICI of Britain, BASF of West Germany and Solvay of Belgium, to name a few – allowed themselves to slide into illegal market collusion at a time of industry crisis. One of the most startling things about it is that the pair of cartels continued to operate for up to a year after they knew they must have been rumbled.

Most of them blithely held regular price fixing and production sharing meetings in hotels in Zurich, Milan and Paris well after the Commission had launched an investigation in 1983 into a third illegal cartel, dealt with in a different case, involving some of the same companies. That involved price-fixing in another widely used plastic, polypropylene, for which the 15 companies implicated where fined Ecu 58m three years ago.

It was on the strength of evidence picked up during this earlier case that Brussels decided to break the PVC and LdPE price fixing ring on what turned out to be a memorable morning, on January 20 1987. The Commission's anti-cartel inspectors, working in pairs supported by their counterparts from national authorities, paid unannounced simultaneous calls at eight chemicals plants across Europe. Their reception varied from the frostily polite at some, to open anger at Hoechst in Frankfurt, which locked the officials out and threatened to call the police for burglary. Hoechst's lawyers cleverly kept the EC inspectors out until April, when the West German Federal Cartel office finally forced the Frankfurt company to let them in.

Individual fines imposed by the EC Commission

	Million Ecu	
Company	**PVC**	**LdPE**
ATOCHEM	3.2	3.6
BASF	1.5	5.5
BAYER	-	2.5
BP	-	0.75
CdF (ORKEM)	-	5.0
DOW	-	2.25
DSM	0.6	3.3
ENICHEM	2.5	4.0
HOECHST	1.5	1.0
HUELS	2.2	-
ICI	2.5	3.5
LINZ	-	0.5
LVM	0.75	-
MONSANTO	-	0.15
MONTEDISON	1.75	2.5
NESTE OY	-	1.0
NORSK HYDRO	0.75	-
REPSOL	-	0.1
SHELL	0.85	0.85
SAV	0.4	-
SOLVAY	3.5	-
STATOIL	-	0.5
WACKER	1.5	-
TOTAL	23.5	37.0

Why Hoechst resisted so hard is a puzzle since it was only a minor player in the cartels. Nevertheless, the Commission's experts gathered enough evidence on that and earlier occasions to implicate 15 other companies in 10 countries: Britain, France, West Germany, Belgium, Italy, Spain, the Netherlands, Finland, Norway and Austria. Together, they supply 90 per cent of the EC's annual consumption of PVC and 80 per cent of the LdPE market. By the end of last year, Brussels was able to announce the fines, imposing the heaviest penalties on the three main players, Atochem of France, with Ecu 6.8m, Enichem of Italy with Ecu 6.5m and Britain's ICI – supplier of much of the documentary evidence – with Ecu 6m.

Most of them staunchly denied operating a cartel. They told the Commission that they only met informally to discuss market shares and pricing and made no commitments to each other. Solvay of Belgium, CdF Chimie (now re-named Orkem) of France, Dow Netherlands, Dow Spain and Alcudia (since renamed Repsol), the Spanish state-owned petrochemicals company, have lodged appeals at the European Court of Justice, yet those are solely on procedural grounds. Of the rest, ICI – which no longer makes LdPE – says it is contesting the fine on substantive as well as procedural grounds, while BASF, Atochem and BP have all said they are considering such action.

The temptation to join forces began in the mid 1970s, just after the first oil price crisis, when many producers had recently invested in new capacity, only to be faced with a decline in demand and an increase in costs. The polythelyne producers hatched their first informal accord to co-ordinate price increases in 1976, according to memos found at DSM, the Dutch chemicals group. The PVC ring followed for similar reasons several years later, in late 1980.

Initially, the LdPE price-fixing scheme only proved a limited success, so producers later turned to the stronger option of trying to limit production. The blue-print for action was drawn up at a series of meetings of what DSM called "Heads of State" – senior directors – in Zurich.

Producers were allocated quotas based on capacity. Prices were fixed to ensure little difference between countries, but still allowing importers to sell at a small discount compared to domestic producers. They delegated a group of experts to meet monthly to carry out the details of the strategy, exactly the same system used by the earlier polypropylene cartel.

Repsol of Spain, an otherwise fairly inactive cartel member, kept detailed notes of several meetings in Zurich and Milan, including timetables for future sessions, with the names of the companies charged with organising them. Those notes, backed up by memos found at DSM, give a clear idea of what they talked about. They show more than 20 attempted joint price increases between 1976 and 1984. They also reveal how local sales offices were instructed not to offer discounts and not to allow orders at old prices to overflow from one month to the next.

But this collusion did not always run smoothly. Some producers, according to Repsol, complained their colleagues were too "aggressive" and kept undercutting prices and exceeding quotas. Others were resented for demanding extra quotas for the surplus capacity they had so ill-advisedly brought on stream just before the downturn. Despite strong discouragement, customers still managed to stock up heavily ahead of "price initiatives," largely on the strength of warning rumours in the specialist trade press.

It was suggested in 1982 that companies who produced more than their share should be penalised, but that threat was never put into effect, says the Commission. Instead, according to Repsol's papers, the producers tried to patch up their differences by fixing new quotas based on the previous year's output and adding a 10 per cent "safety margin" for those who felt hard done by.


Peter Sutherland: former EC commissioner for competition who was politically responsible for the investigation

That system appears to have worked without any major rows until late 1984, at which point the Commission's documentary evidence on the LdPE cartel runs out. This does not exclude some form of collaboration after that date. Indeed, a senior Enichem executive telephoned Exxon – not in the cartel – in December 1985 to say that "the polyethylene industry is going to try for DM2 (63p) per kilogramme on February 1 and I wanted you to know."

ICI appears to have been one of the two ringleaders of the PVC cartel, according to a 1980 document found at the British concern, proposing the formation of a planning group of companies identified only by their initials. According to the Commission, it included Solvay, then the Community's largest PVC producer and joint leader of this cartel, Huels and Wacker of West Germany and France's Chloe, later renamed Atochem. Most of them welcomed the idea.

Their monthly meetings, at different levels of seniority, elicited general support for a system of discouraging customers from indulging in "tourism," or shopping around for the cheapest deal. They also agreed to set common European prices – responding to a specific ICI request for higher prices in the UK and Italy - and exchange data on market shares.

Like its counterpart in LdPE, this later developed into a fully fledged quota system. Details were explained in an ICI memo aptly named "Sharing the Pain," which also set out plans for a "compensation scheme" for penalising producers who exceeded their quotas.

But like the LdPE cartel, this one worked poorly because producers tended to cheat. A common trick was for members to overstate their past sales, so as to get larger quotas. A DSM memo puzzles over an apparently freak increase in European PVC consumption in early 1981. "Maybe an explanation could be found in a false declaration of sales. This item will be investigated," it warns.

Despite these problems, the producers continued trying to get some form of quota sharing scheme to operate, as illustrated by another memo uncovered at Atochem during the January 1987 Commission raid. It shows monthly sales of 13 PVC producers for the first quarter of 1984 as against their target market share, coded simply as "%T" in the document. Atochem claimed to the Commission inspectors to have no idea what the document was about. However it clearly shows that all involved were producing very close to their pre-agreed targets.

Accompanying the PVC quota scheme was a system of co-ordinated price increases, logged by the Commission on 15 occasions. The first, in late 1980, was preceeded by a "stabilisation period of orderly marketing" during which producers agreed to have contact only with customers supplied during the previous three months. But these so-called "posted levels" proved hard to sustain, except in periods of shortage.

Not that ICI was especially worried. It reveals a strikingly cynical attitude to the cartel in an internal memo written in January 1983, two months before a Paris meeting with the other PVC producers, at which the aim was to set new prices and discuss market sharing.

"It is widely acknowledged that these posted levels will not be achieved in a slack market . . . but the announcement does have a psychological effect upon the buyer. An analogy is the car purchase where the 'list price' is set at such a level that the purchaser is satisfied when he obtains his 10-15 per cent discount, he has struck a 'good deal,' but the car producer/garage has still an adequate margin."

Accordingly, the writer recommended that the industry announced prices well above what was realistically attainable – DM 1.65 per kilogramme, up to DM 0.25 more than the market price at the time. That is exactly what the Paris meeting did. By the end of the year the producers' monthly meetings were agreeing new prices of DM 1.80 and DM 1.90 per kg. They were helped by a upturn in demand, but it was one of the few times that either cartel appears to have worked properly.

The irony of all this is that it is hard to see how the culprits benefited. At the height of both cartels, in 1983, for example, Atochem lost just over Ffr 1bn (£93m), Montedison was L203bn (£87m) in the red and profits at BASF were little higher than the previous year at slightly over DM1bn. Moreover, prices for both plastics rose much faster after the Commission started its investigations than when the cartels were in full swing, up by 40 per cent over the past five years for PVC and 35 per cent for LdPE.

The industry has now got rid of most of its overcapacity, with the encouragement of the Commission. It was a painful experience which has done more to help profitability than cartels ever did. Demand too has recovered enough to remove the old temptations. Some have learned their lesson, like ICI which has been far more open about its lapses than the others. It has disciplined the executives involved, including one who made the mistake of leaving the cartel documents on his office windowsill. "A code of conduct has been issued and training seminars are being held at a pretty senior level," said a spokesman. Others maintain their sense of outrage. One thing, however, is sure. The Commission has proved its authority as a buster of cartels.

UK NEWS

Fujitsu to name British site for microchip plant

By Our Regional and Industrial Staff

FUJITSU will today announce plans to build its first integrated microchip factory in the European Community. It is expected that the plant will be at Newton Aycliffe, County Durham.

The investment of at least £100m has a double significance. It further confirms the UK as the single most important location in the EC for investment by Japanese companies increasing their activities in preparation for the single European market.

This will be reinforced, probably over the next week when Toyota, the Japanese car manufacturer, is expected to announce the location in the UK that it has selected for European car and engine assembly.

For the north-east of England, Fujitsu's plans strengthen its position as one of the major areas of Japanese manufacturing in the UK, led by the Nissan plant in Sunderland, 25 miles away from Newton Aycliffe.

The Fujitsu plant will make one-megabit and four-megabit dynamic random access memory microchips. Fujitsu is likely to be the first of several Japanese chip manufacturers setting up within the EC since the European Commission ruled in January that foreign companies must have integrated plants for their chips to be considered EC-made.

Fujitsu also looked at a site in Sunderland, which has been hit hard by the recent closure of the town's shipbuilding yards. But the site needed considerable preparation work, while sea winds might have ruled it out on the grounds of the need for very clean air in the fabrication of chips.

Toyota has rigorously examined several locations in the UK for its £600m investment. Sites on South Humberside and in Newport, South Wales were on the short list. Toyota is believed to have settled on a 200-acre site on a former airfield at Burnaston, Derbyshire. Officials in Wales believe, however, that the Newport site is still in the running, possibly as a second plant for the assembly of engines.

Labour availability has been the top criterion for Toyota, and a site which had a simple ownership title.

Minister rejects bid to close railway

By Rachel Johnson

THE HISTORIC Settle to Carlisle railway line in northern England is to be kept open, Mr Paul Channon, the Transport Secretary, announced yesterday.

Mr Channon said new evidence showed the financial case for closure was now weaker than it was a year ago, when he was "minded to close" the line, which is reknowned as one of the most scenic railways in the world.

There had been a 40 per cent increase in 1988-1989 in revenue and a 50 per cent increase in people using the railway, which climbs 72 miles through picturesque English countryside into the Pennine hills.

Yesterday's decision will be greeted as a victory by railway buffs and conservationists, who have campaigned to preserve the line since British Rail (BR) first proposed its closure in 1983.

Mr Channon said the fact that 100,000 out of 450,000 passenger journeys last year were essential rather than touristic was a big factor in his decision.

BR will now be required to continue the line's five daily services, even though this results in a small loss.

Union executive divided over strike ballot for dock workers

By Charles Leadbeater, Labour Editor

THE LEADERSHIP of the Transport and General Workers' Union yesterday split over a response to the Government's decision to abolish the national dock labour scheme, which guarantees lifetime employment to dock workers in 63 ports.

The division came after dockers' leaders unanimously rejected a plea from Mr Ron Todd, TGWU general secretary, that the union should seek negotiations with port employers.

Mr Todd made his unexpected intervention to save the union from what he believes would be an unsuccessful strike against the Government's plans.

The union's legal advisers told Mr Todd that a strike aimed at forcing the Government to reverse its decision would almost certainly provoke a legal challenge from employers.

If this were successful it could lead to the union losing control of its assets.

However, the 25-strong docks committee unanimously supported a resolution calling for a ballot of the 9,400 registered dockers in defence of the scheme's provisions.

The decision on which line the union will pursue – Mr Todd's move for negotiations, or the committee's desire to call a strike against the decision – will be made by a special meeting of the union's general executive council on Friday.

Although the executive is dominated by Mr Todd's supporters on the left of the union, he is far from assured that they will support his position. In the past, the left has rejected his advice on such crucial issues as the union's nominations for the Labour party leadership.

A delegate conference of dockers will meet on Saturday to consider the executive's decision. If the executive decides to press for negotiations, the delegate conference could only call a strike ballot against the Government's plans at the cost of flouting the union's rule book.

The union should aim to open negotiations with port employers to replace the statutory scheme with an agreement to protect dockers' pay and provide them similar guarantees of employment security, Mr Todd said.

He said a strike ballot should be held, but it should be clearly targeted at strengthening the union's hand in talks with employers over what would replace the dock labour scheme.

If employers rejected negotiations or the talks failed to deliver a satisfactory agreement, Mr Todd would throw his weight behind a strike.

A strike against the Government's plans would almost certainly fall foul of the 1982 Employment Act.

Under the Act, a union can only enjoy protection from a legal challenge by an employer if a strike is called over a "trade dispute" between an employer and its workforce.

Labour lawyers believe that should the TGWU executive support Mr Todd's position, the union would stand a good chance of defending a subsequent strike against a moves by an employer to get an injunction preventing the strike.

However, Mr Todd insisted the call for talks was not a ploy to avoid a legal challenge, but rather a desire to avoid a costly and probably unsuccessful strike.

Philip Stephens writes: Prime Minister Margaret Thatcher yesterday firmly rejected Opposition calls that she should agree to negotiations over the ending of the dock labour scheme.

Mrs Thatcher has established an ad hoc ministerial committee to respond to the strike threat.

Output gains running at 9%

Productivity in car industry outstrips manufacturing sector

By Kevin Done, Motor Industry Correspondent

PRODUCTIVITY in the UK motor industry increased by nearly 7 per cent a year from 1980 to 1987 and by a further 9 per cent in 1988.

It far outstripped the performance of the rest of UK manufacturing industry, which averaged some 4.5 per cent.

According to a report prepared by the Institute of Manpower Studies the motor industry, including vehicle and component production, vehicle distribution and sales, and jobs in supplier industries, still supports around 8 per cent of UK manufacturing employment.

Despite a massive retrenchment in the UK automotive sector in the last decade, it remains one of the most important generators of employment in UK manufacturing industry according to the IMS study.

Between 1980 and 1987 direct employment in the motor industry fell by about 45 per cent, while in the same period productivity rose by around 66 per cent.

By 1987 direct employment in the vehicle manufacturing and automotive components industry provided some 289,000 jobs, of which 139,000 were in the components sector including electrical equipment and tyres, sectors excluded from official UK Government motor industry employment statistics.

This direct workforce generated some £4.015bn of employment income.

Indirect employment in supplier industries generated by the automotive sector amounted to an additional 85,000 jobs, while the motor industry supported a further 48,000 jobs in vehicle sectors.

According to IMS these direct and indirect sectors of the motor industry generated employment income of £5.69bn in 1987 equal to some 8 per cent of the total UK national income from employment.

This income is likely to have supported around 200,000 additional jobs elsewhere.

The IMS report commissioned by the Society of Motor Manufacturers and Traders and entitled "The Economic Significance of the UK Motor Vehicle Manufacturing Industry" is published at a time when the industry is coming under increasing political pressure as one of the main contributors to the growing deficit in the UK trade balance.

The UK motor industry trade deficit jumped by 53 per cent to a record £6.11bn last year after a dramatic rise in the value of car imports.

The motor industry alone accounted for 30 per cent of last year's total UK visible trade deficit of £20.34bn.

The SMMT said yesterday that despite the large reduction in the direct motor industry workforce since 1982 productivity had been increased and the industry had retained its ability to generate employment elsewhere in the UK economy.

The IMS report says that reductions in employment have outstripped overall reductions in output and have been the main factor behind improved productivity.

The closure of many large plants contributed greatly to the productivity growth in the early to mid-1980s.

The strong growth in car demand in the second half of the 1980s meant that increasing output was now playing a growing part in productivity improvement, however.

Most vehicle makers had made "impressive productivity gains," says the report. Rover Group had increased output of cars per man year from 5.9 in 1979 to 13.6 to in 1987, while Volvo had reduced its build time at its Irvine assembly plant from 90 to 57 hours. Jaguar had nearly doubled its productivity to just over four cars per man year.

"In 1986 Volvo's plant in Gothenburg had a 10 per cent cost advantage over Irvine but by 1987 this had been lost," says the report.

IMS says that the productivity gains have been achieved in three major stages, initially through the cutback in capacity and employment, but subsequently through greatly improved labour practices and growing investment in new technologies both in production processes and in design and engineering.

● Jaguar yesterday shut down production for the second day running after further unofficial strikes over the timing of jobs done by glaziers.

Penguin not likely to profit from Rushdie row

By Raymond Snoddy

THE PENGUIN group is unlikely to make any money from Salman Rushdie's controversial novel, The Satanic Verses, even though it is a bestseller.

The extra cost of security because of threats from fundamentalist Moslem groups angered by the book will have eaten into the profit before the end of this year, it is believed.

The Satanic Verses has angered Moslems around the world by making what many believe to be blasphemous allusions to the prophet Mohammed. The book has already sold more than 150,000 copies in the UK, and although sales are beginning to level off, it is still number one on the bestsellers' list in the Bookseller, the book trade weekly, and has been in the list for 13 weeks.

The demands of security after the death threats made against Mr Rushdie have meant that additional protection has had to be provided, not only for individuals, but at 17 Penguin sites from New Zealand to New York.

According to some estimates, the extra cost of security is £1.7m a year on an annual basis. Penguin, like the Financial Times, is part of the Pearson group.

At the moment, The Satanic Verses is a profitable book, but that will change when sales slide as it slips out of the headlines. There has been no decision on paperback rights.

A sign of the potential scale of the issue came this week with the news that fire bomb attacks had been made against two London bookshops stocking the novel – causing considerable damage in one case.

Penguin's involvement began when Viking, one of Penguin's hardback imprints, bought the English-language rights to the novel in an international auction in New York a year ago. At the time of the auction, rights to publish in two other European languages had already been sold.

Agreements to publish the book in French, German, Spanish, Dutch, Swedish and other languages were concluded by Mr Rushdie's agent before the book was published in English last September. In Italy, Mondadori has already sold about 200,000 copies.

Government investigates N Sea oil spill curbs

By Tom Lynch

A REVIEW of oil pollution control measures in the North Sea has been ordered following the huge oil spillage from the tanker Exxon Valdez off Alaska, Lord James Douglas-Hamilton, the junior Scottish Office minister, told the House of Commons yesterday.

He told Members of Parliament (MPs) that the UK Department of Energy had asked for an update of how oil spillages in British and Continental waters were dealt with. The review was under way and any recommendations would be implemented.

Lord James was responding to an emergency question from Mr James Wallace of the Social and Liberal Democrat Party about the spillage on Monday of 1,140 barrels of oil-based drilling mud from Shell's North Cormorant oil and gas production platform, about 100 miles off the Shetland Islands.

He explained that the leak, 100 metres below the surface, resulted from a mechanical failure in a drainage pipe while the mud was being piped on to the platform from a supply ship. The mud contained about 680 barrels of oil.

Lord James said the oil had sunk to the bottom of the sea, and the impact on the environment was "minimal."

Opposition MPs expressed concern that the Government had to rely on information from companies about the effect of spillages.

The spillage follows reports that traces of polychlorinated biphenyls (PCBs) were found near the wreck of the Piper Alpha oil platform, which exploded last year. The Labour Party has since been calling for information on toxic wastes in the North Sea. PCBs produce dioxins and other toxic fumes when burned and it is feared that they are cancer-causing.

The Energy Department confirmed yesterday that "tiny" levels of PCBs had been found around Piper Alpha, but said there was no hazard. It said equipment on other platforms which used PCBs had been removed from the North Sea.

Mr Frank Doran, Labour's oil spokesman, said Piper Alpha had had 4.8 tonnes of the chemicals on board, enough to cause serious pollution of a large part of the North Sea if they leaked.

UK NEWS

English soccer ban in Europe set to be lifted in 1990-91

Financial Times Reporter

EUROPEAN soccer is set to reopen its doors to English club sides in 1990-91, Mr Jacques Georges, president of Uefa, the European soccer federation, said in Portugal yesterday.

The four-year exile of English clubs followed the rioting at the Heysel stadium in Brussels involving supporters of Liverpool football club.

Mr Jack Dunnett, president of the Football League and Mr Graham Kelly, chief executive of the Football Association, presented their case for re-entry yesterday during an 85-minute meeting with the Uefa executive committee at the Pousada Castelo de Palmela, near Lisbon.

Mr Kelly and Mr Dunnett were told that English clubs would be allowed to re-enter European competitions from the season 1990-91 "having regard to the enormous efforts undertaken by the English football authorities in order to improve security measures."

A Uefa statement added: "This reintegration will take place subject to the integral implementation of the European Convention Against Violence in Sport and provided that the British Government gives it support and help to the English football authorities."

Liverpool, whose fans were involved in the Heysel riots before the 1985 European Cup final against Juventus, are due to serve an extra three-year ban after the return of the other clubs, but the Uefa president said that their position would be reviewed next year.

By then the Government's Football Spectators Bill should be on the statute book and that will enable the control of convicted hooligans when it comes to matches abroad.

One big worry for English football, however, could be the behaviour of fans at next year's World Cup Finals in Italy should England – as seems likely – qualify.

Mr Kelly promised that there would be no let up in the fight against hooliganism. "We will continue talking with the Government about all measures necessary," he said.

Mr Colin Moynihan, the UK Sports Minister, broadly welcomed the Uefa decision but indicated that the return of English clubs was still dependent on the Football Supporters' Bill being implemented, and on a trouble-free World Cup.

British plant to become centre for light and medium truck output

DAF to boost Leyland production

By Kevin Done, Motor Industry Correspondent

DAF, the Dutch commercial vehicle maker, is to transfer additional truck production from its plant in Eindhoven, the Netherlands, to Leyland in north-west England to increase its European truck output.

The company, which took over the Leyland truck and Freight Rover van operations in April 1987 from the previously state-owned Rover Group, is planning to make the operations its centre for all truck production up to 16 tonnes by the early 1990s.

Production of heavy trucks is to be concentrated in the Netherlands.

Mr Aart van der Padt, DAF management board chairman, said the company's engine and truck assembly plant at Eindhoven and its cab assembly and axles plant at Westerlo in Belgium were working at full capacity.

As a result, the company has advanced its plans for transferring light and medium truck assembly and some components operations to the UK.

From August, DAF is to begin production at Leyland of both its 1900 and 1700 series trucks (16 and 14 tonnes gross vehicle weight) for continental European markets, as well as for the UK market.

It plans to move production of about 2,300 trucks a year to Leyland, with the transfer completed during the first half of 1990.

The takeover of the Leyland truck operation has provided DAF with considerable free capacity at a time when truck demand is booming in most European markets.

Output at the Leyland plant has already risen dramatically following the takeover. Output totalled 9,144 trucks in 1986, the year before the merger, but it increased to 12,254 in 1987 and 15,678 in 1988.

The merger also opened continental European markets to the Leyland range of Roadrunner light trucks – now sold on the Continent as the DAF 600/800/1,000 series. Exports of this range – a segment of the market in which DAF was previously unrepresented – have jumped from 114 in 1986 to 1,612 last year.

The process of transferring output from Eindhoven to Leyland began in December last year, when the UK plant began annual production of 1,000 units of right-hand drive versions of the DAF 1900.

Output at Leyland is currently running at some 68 trucks a day and the planned transfer of production could add a further 10 trucks a day.

Further 15,000 textiles jobs lost last year

By Alice Rawsthorn

SOME 15,000 jobs were lost in the UK textile and clothing industries last year because of fierce competition from imports and intense pressure on profitability.

The latest statistics from the British Textile Confederation show that the level of employment in textiles and clothing fell by about 15,000 to 477,000 in 1988.

Some of the losses were a result of natural wastage. But the industries were hit by several substantial plant closures and redundancy programmes during the year as the large groups, such as Coats Viyella and Courtaulds, restructured their businesses in response to escalating imports.

The job losses continued in the opening months of this year. Courtaulds announced two major rounds of rationalisation – involving 900 lay-offs in Lancashire and nearly 400 in the East Midlands – in March.

The same economic factors that intensified the competitive pressure on textiles and clothing last year are still in force. The strength of the pound, combined with the weakness of the US dollar and related South-East Asian currencies, is still making UK companies less competitive within the international textile market.

In 1988 the influx of textile and clothing imports rose by 7 per cent to £6.9bn, according to the BTC; while exports increased by just 2 per cent to £3.6bn. The value of clothing exports actually fell, for the first time in several years, by 2 per cent to £1.4bn.

The balance of trade deficit rose from £2.9bn to £3.3bn. Textiles and clothing now represent 23 per cent of the overall UK current account deficit.

Trends in Textile and Clothing Trade 1988; published by the British Textile Confederation, 24 Buckingham Gate, London SW1E 6LB; £30 to non-members.

Electricity expert predicts difficult flotation timetable

By Maurice Samuelson

DR DIETER HELM, a leading commentator on the electricity industry, yesterday cast doubt to-day on the Government's ability to complete the industry's privatisation before the next general election.

Dr Helm, fellow of Lady Margaret Hall, Oxford, said that while the 12 distribution companies in England and Wales will be privatised relatively smoothly, he had "severe reservations" about the prospects for selling off National Power and PowerGen, the two generating companies to be carved from the Central Electricity Generating Board.

Under the Government's present timetable for England and Wales, the distribution companies are due to be floated early next year, followed by the first generating company late next year and the second in early 1991.

According to Dr Helm, however, the proposed sale, like that of water, is proving very unpopular. It is also expected to take place in a Stock Exchange "bear" market, compared with the "bull" markets in which previous privatisations were conducted.

The next privatisations – involving about £25bn worth of assets over the next two or three years – are also far more ambitious than previous sales, the biggest of which, for shares in British Gas, netted about £5.5bn.

The only way in which the Government might meet its deadline would be to brave the political consequences of selling much of the electricity industry's stock overseas at a low price.

Other electricity industry analysts attribute the delay to the complexity of working out the contractual relationships between the generating companies and the distributors.

The two sides are said to be divided over how much of total capacity should be covered by contracts and how much should be left for the generators to sell to consumers.

The negotiators have also not yet agreed on the extent to which contracts should specify the price at which power will be sold as well as the generating capacity involved.

The distribution companies apparently want to sign up capacity, to ensure security, leaving eventual prices to be settled as far as possible within the distributors' pool which they will control.

Standard Life emphasises independent advisers' role

By Eric Short, Pensions Correspondent

STANDARD LIFE Assurance Company, one of Britain's largest life assurance and financial services groups, still expects that the main source of its business in the UK will come from independent financial advisers, despite having "tied-in" with the Halifax Building Society, Britain's largest savings institution.

Mr Scott Bell, managing director of Standard Life, in his review accompanying the 1988 report and accounts, asserted he had no doubt that public demand for specialist independent advice on life assurance, pensions and investment products would remain high.

He also felt that the impact of commission disclosure by independent advisers would not have a significant impact on their business. Thus he considered it was in the interests of the majority of independent advisers to remain so.

Under the polarisation requirements of the financial services regulations, intermediaries must either be completely independent or representatives of just one life company.

Earlier this year, Standard Life suddenly changed its marketing strategy from dealing only with independent advisers to setting up a tied-agency operation, linking with Halifax Building Society, one of the biggest UK intermediaries.

But surprisingly, Standard Life has not tied with any other savings institution and few intermediaries have committed themselves to becoming tied agents.

Standard Life was issuing some 4,000 personal pension contracts in the final weeks of the previous financial year.

This followed a successful year for new pensions business in 1988 due to the introduction of the new-style personal schemes and major changes in the UK operations.

Premiums on individual pensions amounted to £220m, while group pension business brought in a further £51m.

Porton to reveal list of developments

By Peter Marsh

PORTON INTERNATIONAL, a biotechnology company backed by £76m from some of Britain's leading financial institutions, plans to give shareholders a detailed list of its main development projects.

The move comes after criticism from some shareholders that they have not been kept fully informed of the company's progress.

Mr John Burke, chief operating officer at Porton, said yesterday that the company had drawn up an inventory of its main development programmes. It aimed to circulate a version of this to shareholders by the summer.

Mr Burke, who was recruited to Porton last year from a senior position at Glaxo, Britain's biggest drugs company, said the inventory was "a robust document" which contained details of about 100 projects. He said between six to eight of these could turn into significant products for the company in the 1990s.

Products for which Porton has particularly high hopes include a combined vaccine and drug for herpes; a drug for treating certain muscle disorders; and a diagnostic kit for monitoring potassium in the blood stream. The concentration of this element can indicate a range of diseases.

Mr Burke said the past year had gone according to plan and he was confident about the company's progress. He did not want to divulge financial details.

Shareholders in Porton include Legal & General, Sun Alliance, Lloyds' Bank and the pension funds of British Telecom, Imperial Chemical Industries and the Post Office.

Porton was set up in 1982 by Mr Wensley Haydon-Baillie, the company's chairman. In recent years the company's progress has fallen behind the timetable it had indicated to investors might be possible when the company raised the bulk of its finance in 1985.

In 1987, the last year for which figures are available, the company made a pre-tax profit of £6.7m, about a quarter of what the company had said might be possible, on sales of about £13m.

Media ban on Sinn Fein lifted for N Ireland polls

By Our Belfast Correspondent

THE GOVERNMENT yesterday temporarily lifted the broadcasting ban on groups which support terrorism in the run-up to the local government elections in Northern Ireland next month.

It means that members of Sinn Fein, the IRA's political wing, can be heard on radio and television for the first time since October.

The ban formed part of a package of security measures introduced by the Government after eight soldiers were killed by an IRA bomb as they were returning to their base in County Tyrone last August.

A Northern Ireland office spokesman said: "Any words spoken by or in support of a candidate at a parliamentary, European parliamentary or local election can now be broadcast."

The partial relaxation of the ban comes because broadcasters are obliged by law to give equal treatment to all candidates in elections.

It will be up to broadcasting organisations and their legal advisers to interpret the guidelines on interviews and to ensure they are conducted within the law.

The ban will be reintroduced when the polls close on May 17 and will be lifted again before the European election in June.

Mr Gerry Adams, the Sinn Fein president, was interviewed on local radio in Belfast yesterday for the first time in six months.

Sinn Fein has 56 councillors in Northern Ireland's 26 district councils and will be fielding 95 candidates in the local government election.

TECHNOLOGY

PC chip that packs a mainframe punch

Louise Kehoe explains why Intel's new 486 chip represents a milestone in desk-top computing

"THE STAR of the show is the 486 microprocessor," claims Intel chairman Gordon Moore. Few would dispute that this new Intel chip, introduced with much fanfare at a huge computer industry convention in Chicago earlier this week, has taken the industry by storm. Already, it has received rave reviews and appears set to play a leading role in the personal computer (PC) market of the 1990s.

Capable of giving desk-top computers 50 times the power of the original Intel-chip-based PCs, introduced just eight years ago, the 486 represents a big step forward in microprocessor technology.

"Five years ago, it was inconceivable that we could make such a chip," contends Moore, one of the founders of Silicon Valley's semiconductor industry. "This is a monster," he says of the tiny chip of silicon.

By semiconductor industry standards, the chip is large – only about 70 of them can be scribed on a full six-inch silicon wafer. Yet this single chip replaces three of the most sophisticated integrated circuits in today's most advanced PCs and packs the computing power of several cabinet-fulls of the electronic circuit boards used in many larger computer systems.

The 486 has been made possible, Moore explains, by heavy investment in purpose-built, computer-automated systems for complex logic chip design and by big improvements in manufacturing technology to enable the defect-free production of large, complex chips.

The 486 is a new implementation of the 32-bit microprocessor architecture introduced three years ago by Intel in the 386 microprocessor. The new chip incorporates a more powerful version of the 386 as well as a maths processor previously on a separate chip, cache memory and a memory management unit.

Intel has further enhanced the performance of the 386 architecture by borrowing ideas from the Risc (reduced instruction set computer) approach to computer design.

The result is a device that combines mainframe-like performance, of up to 20 million instructions per second (Mips), with full compatibility with the established base of PC software, worth more than $15bn (£9bn).

Already dozens of computer manufacturers have endorsed the new chip, many with promises of future 486-based products. IBM, Intel's largest customer, says that its PS/2 line of PCs "will take full advantage of Intel's latest technology"; while Compaq, the second largest manufacturer of Intel-chip-based PCs, says that it plans to incorporate the 486 in a product to be launched either this year or next.

The first 486 PCs could appear as early as the end of this year, Moore predicts. However, he expects the first applications of the chip to be in "file servers", computers that provide shared computer resources over a local area network.

The introduction of the 486 sets a clear path for the PC industry and is expected to accelerate the transition from older, 16-bit models to the new 32-bit standard.

Also forcing the pace are several new versions of Intel's earlier 386 32-bit microprocessor, designed to suit basic low-cost systems and lap-top computers. Most recently, Intel introduced a higher performance chip designed to extend the performance of 386-based machines to 8 Mips.

As the 386 enters the mainstream of personal computing, Intel says that sales of the 286-based AT class of PCs will quickly diminish. Such machines "won't be viable in 1992", a major corporate computer buyer warned at the Intel introduction.

One factor holding back the transition to 32-bit chips has been the lack of software to take full advantage of their capabilities. That problem will be partially resolved this year, according to Bill Gates, chairman of Microsoft, the leading software developer.

Microsoft will introduce a 32-bit version of the OS/2 operating system later this year, Gates said on Monday. "Intel and Microsoft have worked together closely on the new processors and operating systems. With this generation, the microprocessor architecture and operating system are in synch."

While the 486's role in the PC market is all but certain, the chip's success will probably be measured in terms of how much more of the broader computer chip market it can win for Intel.

"Achieving a performance level of 15 to 20 Mips makes the 486 a formidable competitor in the market for smaller minicomputers," says Aaron Goldberg President of IDC, the market research group.

As the traditional segments of the computer market begin to merge – with PCs, workstations and minicomputers overlapping in performance and functions – the 486 could find a broader market than Intel's earlier microprocessors.

The performance of the 486 "puts desk-top computing well into the minicomputer range," says Rod Canion, chairman of Compaq Computer.

Also recognising this potential, several minicomputer manufacturers are assessing the 486. Olivetti, for example, sees it as "an essential element in our strategy aimed at guaranteeing overall continuity and cohesiveness" over a wide range of computer types.

In the workstation segment of the market, however, Intel faces formidable competition from Motorola, Sun Microsystems, MIPS Computer and others who have established a lead with their own 32-bit microprocessor chips.

In its bid to win a large portion of the workstation chip market, Intel plans to emphasise the advantages of compatibility with PC software, even for workstations that are primarily used to perform more sophisticated scientific or technical functions.

The Intel argument may be persuasive. Sun Microsystems, the computer workstation market leader, was among the first to endorse the 486 chip.

In the mainframe computer world, Prime Computer is working with Intel to develop, by 1992, a 120 Mips version of the 486, to be built using emitter coupled logic (ECL) semiconductor technology.

Multiprocessor systems built with the 486 are also on the horizon with the endorsement of companies such as Sequent Computer.

Intel's primary thrust, however, is to maintain control of the PC market, of which its chips hold the lion's share. Market analysts predict that, by 1992, the 486 will power about 10 per cent of the new PCs being sold. By then, the machines should be selling for around $8,000, down from an estimated $10,000 to $20,000 when they first appear.

The links in the chain leading to a new machine

By Peter Marsh

Rob Sareen wanted to build a new type of analytical machine for spotting tiny quantities of materials in fields such as forensic science, minerals prospecting and industrial quality control.

To achieve his ambition, Sareen, managing director of Link Analytical, a UK instruments maker, had to face up to two technical problems; and he only solved them by plunging into the market for a company and a person.

Link, part of the UEI electronics group, also had to spend £750,000 over three years on fitting the acquired technology into the company. It has just started selling the resultant machines.

Link, based in High Wycombe, Buckinghamshire, is one of a handful of companies which make energy-dispersive X-ray spectrometers. These are analytical instruments which detect small fragments of impurities in mineral or metal samples by firing electrons at them and analysing the X-rays that are reflected.

Machines of this sort occupy a niche position in the $3bn-a-year world market for laboratory and factory analytical equipment. Sales of the systems come to about $100m a year, with Link being one of the three main companies in the field, accounting for roughly a third of the world market. The other leading companies are Kevex, a California-based business owned by Britain's VG Instruments, and Tracor, of the US.

The current generation of energy-dispersive X-ray spectrometers can detect concentrations of materials of as little as one part in 2,000, measured across a portion of the sample that is only one micron wide. Sareen wanted to improve the performance of Link's systems, which sell for up to £80,000, by a further 10 to 20 per cent to make them spot still smaller traces.

There were two difficulties. First, the silicon-based radiation detectors were not sensitive enough to cope with the more precise tasks expected of them. The machines which Sareen and Link's engineering team had in mind would require new forms of detectors, based on germanium.

Germanium is used in the electronics industry for applications such as integrated circuits and optical equipment. But Sareen knew of only three companies world-wide which could supply the germanium in a pure enough form for high-precision detectors.

Two of them – Ortec of the US and Hoboken of Belgium – would be difficult to buy, so Sareen persuaded UEI to acquire the other one, a company called The Nucleus, in Oak Ridge, Tennessee. The $20m purchase was completed last October.

Germanium supplied by The Nucleus has played a big part in the detectors which Link is now manufacturing for its new systems.

Link's second problem was in some ways more difficult. The performance of analytical machines is intrinsically linked not only to detector technology but also to the computer equipment which processes signals from detectors and converts them into meaningful information.

Link was virtually self-sufficient in this area – it builds its own computers using a mixture of chips purchased off the shelf from electronics companies and special circuits which it makes itself. But it relied on an outside supplier for amplifier chips. These circuits are responsible for boosting the tiny signals from detectors into stronger electrical fluctuations, which are then fed into processing hardware.

For some time, Link had been using amplifier circuits based on field-effect transistors sold by Texas Instruments, the US chip maker. For the new systems, however, it needed something better.

Sareen realised that a do-it-yourself approach was called for. Two years ago Link hired from Thorn EMI, the UK consumer electronics company, a chip designer called Robert Smith. This is not his real name, but Sareen contends that the man is so valuable that if outsiders knew his identity, he would be poached by rival companies.

Smith, aided by other engineers at Link, quickly set about designing a new amplifier chip which, Sareen says, has twice the performance of the Texas Instruments device. Thorn EMI was contracted to turn out the chip in production quantities and it is now a standard part of Link's new germanium-based systems.

The amplifier chip would probably be highly useful to other companies in electronics-related industries. But Sareen does not plan to license the design or sell copies of the circuits. "We want to keep the knowledge to ourselves."

It is early days yet for Link's germanium-based system, which has only just gone on the market and sells for about 20 per cent more than the traditional machines based on silicon detectors. But Sareen is optimistic about the sales potential and reckons that it will keep the company's rivals on their toes for the next few years.

India aims to protect itself against industrial catastrophes

By Thomas Land

INDIA is about to launch a chemical hazard control programme to try to ensure that industrial catastrophes, such as that at Bhopal, will never again strike an unprepared population.

The programme involves technologists of many disciplines, medical and occupational health experts, and public health planners.

It is the result of an analysis of the chain of events which led to the world's worst industrial accident. This happened at Bhopal in central India, in December 1984, when more than 2,500 people died and tens of thousands were injured after inhaling poisonous gas leaking from a nearby pesticide plant. Union Carbide, the US chemicals company involved, recently agreed to pay £270m in compensation to the victims.

The new safety programme may well be copied in other parts of the world which are passing through a potentially dangerous phase of rapid industrialisation.

West Germany, a big exporter of chemicals to the developing regions, is putting £1m into the Indian programme. Further assistance is expected from other sources.

The Indian project will include the identification, analysis and control of all industrial activities involving potentially hazardous chemicals and processes, in itself a huge task. It will involve a census of India's estimated 5,000 chemical production units. And it will aim to bring in a wide range of safety measures, to strengthen the factory inspectorates and the emergency services, and to co-ordinate supervision.

A national safety organisation will be run by the recently created Major Hazards Control Advisory Division of the Central Labour Institute in Bombay.

India's chemical industry is relatively well developed in global terms, employing nearly half a million people and manufacturing a great variety of products, many of them potentially hazardous.

An important aim of the project is to produce adequate safety measures for the industry – including vital contingency plans for the protection of populations vulnerable to exposure to dangerous chemicals.

Any comprehensive hazard control system must be based on an understanding of the activities that could lead to disaster, on the location of potential trouble spots and on identifying the weaknesses in existing emergency procedures.

The Indian project will have to develop a variety of organisational and technical measures to remove these weaknesses, as well as working out and maintaining contingency plans that will involve the emergency services both within the factories and in nearby residential areas.

The programme is based on the recognition, reluctantly accepted by India's development planners, that large-scale chemical emergencies do recur. Even the most efficient and elaborate preparations and safeguards can only reduce the likelihood and mitigate the effect of public health disasters, such as those which struck at Mexico City and Seveso, in Italy, as well as at Bhopal.

Of the millions of chemicals in the world today, some 600,000 are in commercial use. And the annual world-wide production of chemicals has risen from about 1m tonnes in the early 1930s to hundreds of millions of tonnes today.

The chemical industry generates greater risks in the poorest regions, where the rapid pace of industrialisation and the shortage of public health resources can make even the simplest safety precautions unattainable.

Most countries have enacted legislation establishing minimum health and safety standards for the production, storage, transport and use of hazardous substances. The Indian project is expected to give a global dimension to their enforcement, creating the conditions for large-scale regional collaboration on accident prevention.

DETAIL FROM "SPEED & LANDSCAPE" BY GIACOMO BALLA. (1913)

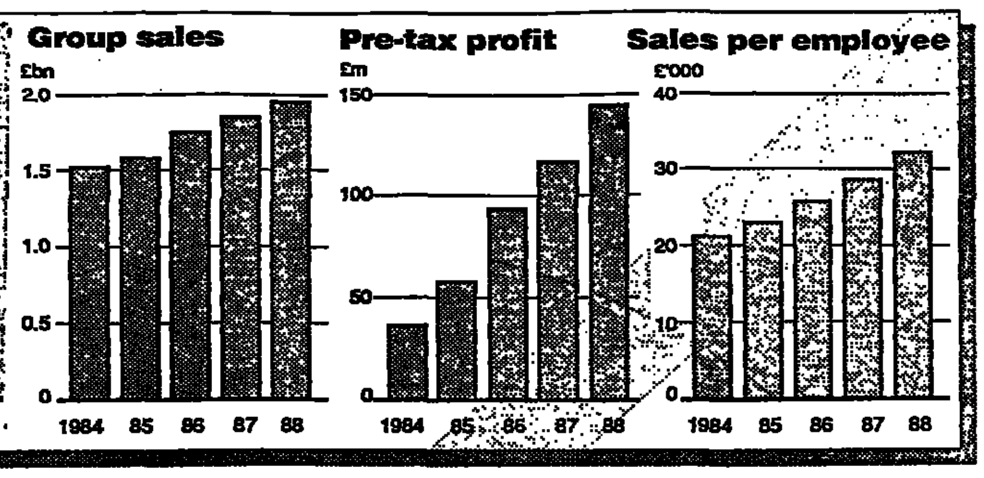
MANAGEMENT

Lucas

Learning the lesson of low-cost production

The UK group's manufacturing director tells **Nick Garnett** why companies find it so difficult to emulate the Japanese

Dr John Parnaby



Enticed by a much more favourable climate

If the Plessey electronics group manages to escape the predatory takeover attentions of the General Electric Company and Siemens, Stephen Walls is in line to become chief executive at the exceptionally youthful age of 42.

His appointment, due to come into effect next March, may well owe something to the takeover threat – Plessey's critics argue that Sir John Clark, the group's 63-year-old chairman, has only elevated Walls at this time to curry favour with institutional investors. But whatever the truth behind the timing of the move, the fact remains that Walls has risen fast to a position which would have seemed unthinkable at Plessey only three or four years ago.

Walls himself certainly seems convinced that he can survive the role of dauphin better than previous pretenders to Sir John's crown. Indeed, he argues strongly that Sir John's willingness to signal the end of one of British industry's most dugged family dynasties is a sign of the times with a significance broader than Plessey's future alone. It is an illustration, he says, of the UK's rapid transition to a more open and meritocratic managerial environment.

These are, of course, the kind of things which a senior executive would be inclined to say if he wanted to impress shareholders in the thick of a takeover battle. But Walls can at least claim to have reinforced his words with action. He is one of a small group of young British managers who have been drawn back to top jobs in Britain from the US in the last few years – returning, in fact, at almost the same time as two contemporaries, Ian Strachan, finance director of RTZ, and Nigel Stapleton, finance director of Reed International.

Money, says Walls, is part of the new attractiveness of Britain. "I was a tax exile. I found it difficult at that time (12 years ago) to countenance working in the UK with the draconian tax structure and the astonishing difficulty of progressing in companies, either economically or against the entrenched attitudes of management. I saw a lot more opportunity in working outside Britain."

Apart from the stimulus of being able to keep more money once earned, it is now easier, Walls says, to make money in the first place. "The economic environment has changed radically. The day I made the decision to come back to Plessey was the day of the last election – the one condition I had left was that the Conservative Party should be re-elected."

Just as important as the financial rewards is the ability to do things as a manager that would not have been possible a few years ago. "There are enormous differences in Britain today compared with a few years ago. I was astonished by the change in attitudes that has occurred."

Walls ticks off these differences in the following way:

- a greater directness in the approach to doing business;
- far more attention to the bottom line of profitability;
- a change in the attitude towards developing people and giving them opportunities;
- more concern about international competitiveness and overseas markets. "For many years everyone concentrated on just the UK's 5 per cent of the world market," he says.

At Plessey, Walls has been associated above all with this latter point, pushing through a series of eight international acquisitions to give the group greater presence in both the US and Continental Europe. Some of this deal-making has attracted criticism, particularly because of the rapid disbursement of cash; and he has taken flak for the joint venture in telecommunications with GEC, which has made it difficult for Plessey to fight the bid by alternative alliances.

Walls, however, is unrepentant on both counts. Although he has "some regrets" about the telecommunications venture, he argues that it was the first critical step in repositioning the company. As for Plessey's switch from cash to a net debt position, he says that he has been surprised at how much UK managers still have to justify putting debt on the balance sheet.

"I am proud that we are no longer acting as bankers," he says. "This attitude to debt is one of the big differences between the UK and America. I was at a meeting with institutions in the US recently and the first thing people asked was why we were not using our balance sheet more fully by increasing our debt."

Walls's views seem to be very much in line with other globe-trotting managers who have made the trip across the Atlantic and back again. Nigel Stapleton, for example, says that the "distinctly better perception" of the way the UK industrial scene was developing was at least half the reason for his return.

"I have not been at all disappointed at Reed, although in general I think the US is still more open than the UK," he says.

Robb Wilmot, who came back to the UK to run the ICL computer group in a period of very rapid change in the early 1980s, contends that remuneration levels for divisional managing directors of large companies in the UK are now not much lower than in the US – particularly when high local taxes in some parts of America are taken into account. What the UK does not have as yet, he says, is a large community of middle-aged managers with sufficient capital to give them the independence to invest in their own projects.

"There are plenty of US executives who have built up around $200,000 of personal capital. I think we shall have the same situation here in 10 years' time."

Terry Dodsworth

COMPANY NOTICES

FT LAW REPORTS

Ship contract fails at first fence

GYLLENHAMMAR & PARTNERS INTERNATIONAL LTD AND OTHERS v SOUR BRODOGRADEVNA INDUSTRIJA
Queen's Bench Division (Commercial Court): Mr Justice Hirst: March 21 1989

WHERE a contract is to be null and void if certain obligations are not performed, the general rule that a party cannot rely on his own breach to escape his obligations, does not apply if inconsistent with *the contract on its true construction*. Accordingly, one party's failure to obtain a bank guarantee expunges the contract irrespective of fault, if entry into force was expressed to be subject to his obtaining the guarantee, failing which the contract was to become null and void unless otherwise mutually agreed.

Mr Justice Hirst so held when giving judgment for the defendant shipbuilders, Sour Brodogradevna Industrija, on a claim by Gyllenhammar & Partners International Ltd, Pindaros Shipping Inc and Clear Water Navigation Ltd, financiers, co-adventurers and buyers respectively under a shipbuilding contract, on their claim for specific performance of the contract or damages.

HIS LORDSHIP said that on April 12 1988 the buyers entered into a shipbuilding contract for the construction of a bulk carrier by Yugoslav shipbuilders. The contract was made pursuant to an option granted by the builders on June 12 1986. Article 23 of the contract, headed "Entering into Force," provided that "this contract is subject to" (a) the builders declaring by telex to the buyers that a bank guarantee had been obtained; (b) the builders declaring by telex that all necessary permissions and approvals had been obtained; and (c) payment by the buyers of the first instalment of the purchase price.

The article provided that if (a) and (b) were not obtained within 30 days of date of contract, or if the first instalment was not paid within 10 days of due date, the contract "unless otherwise mutually agreed, shall become null and void."

Yugoslavia had a highly centralised economy, while at the same time allowing a considerable degree of entrepreneurial freedom to trading enterprises. The shipbuilders were a legal entity known as an "organisation of associated labour." Shipbuilding contracts were negotiated on normal commercial lines, with the approval of Workers' Councils.

On May 19 1988 the Workers' Council approved the signing of the contract. In the meantime, the builders had informed their regular commercial bankers, Jugobanka, as to the terms of the contract. They sought an assurance of guarantee and a promise of additional credit for the ship.

Throughout the period covered by the case (1986 to 1989) Yugoslavia had suffered an acute economic crisis.

In 1986, the year of the option agreement, the annual inflation rate was close on 100 per cent. In 1988, the year of the shipbuilding contract, it was approaching 250 per cent.

The deteriorating economic trend had serious consequences on the purchase of raw materials in hard currency. That was of particular importance to the builders, who needed to acquire steel from abroad. As a result of severe illiquidity through circumstances beyond their control, commercial banks had reneged on long-term commitments for credit. The builders themselves had become increasingly illiquid and had found it more and more difficult to pay their debts.

On May 30 1988 the builders telexed the buyers that Jugobanka had refused to approve the contract to finance the transaction and to issue a letter of guarantee. They said that as the bank's approval was a condition for obtaining the permissions and approvals by Yugoslav financial authorities, that prevented them from satisfying the condition precedent for the contract's "entering into force."

They said the contract had become "null and void" as stipulated by article 23.

The buyers issued the writ in the present action on September 14 1988, claiming specific performance or damages in lieu, for breach of the shipbuilding contract.

The builders contended that on the proper construction of article 23, if for any reason whatsoever any of the three specified events [guarantee, permissions, payment of instalment] did not occur within the agreed time limits, the contract was null and void, irrespective of fault on the part of the non-complying party. The buyers contended the builders were debarred from relying on article 23 if their own non-compliance constituted breach of any primary obligation.

The questions were to be decided under English law, as the proper law of the contract.

Mr Aikens for the buyers submitted that at the time of the option agreement in 1986 the parties must have contemplated the possibility of high inflation which was already approaching 100 per cent, and that since they signed a binding contract on April 12 1988, it must be presumed both parties intended it to be performed.

He relied on the well-known principle that, unless the contract clearly provided to the contrary, a party was not entitled to rely on his own breach of contract to excuse himself from the requirement of further performance (see *New Zealand Shipping [1919] AC 1; Cheall [1983] 2 AC 180)*.

Mr Aikens submitted that the builders could not rely on their own failure to obtain a letter of guarantee in order to escape from the contract. It followed that a term should be implied into article 23 as a matter of necessity that a party had no right to invoke the article in reliance on his own breach.

Mr Sumption for the builders submitted that the effect of article 23 was that the agreement could be executed before all the preliminary commercial arrangements were in place, but was not to be binding if those arrangements were not completed within the defined periods. Therefore, if either party failed at that first fence, the contract was expunged.

He said that on well-established principles a term would only be implied if it was reasonable, necessary and consistent with the remainder of the contract, and that Mr Aikens's implied terms failed the tests.

Above all, Mr Sumption submitted that the terms were directly inconsistent with the express wording of article 23 itself. The title and opening words showed the contract was essentially an "if" contract.

Mr Sumption's approach was correct. Article 23 recognised that the contract was otherwise binding, and only stipulated it should "become" null and void if one or other of its three strictly defined provisions became effective. There was nothing anomalous in the parties' evincing such an intention on a fault-free basis, particularly having regard to the Yugoslav economic and legal background.

The title of article 23 itself, "Entering into Force" and its *opening* words, "This contract is subject to," were of crucial significance. Mr Aikens's construction gave no proper weight to those important words. Furthermore, the suggested implied term failed to satisfy the three tests.

The express terms of article 23 excluded the general rule of construction. Furthermore, the words "unless otherwise mutually agreed" showed it was not the parties' intention that the contract should only be voidable by the innocent party.

In his dissenting judgment in the Court of Appeal in *Cheall*, Lord Justice Donaldson said "this principle of construction, or potential implied term, must give way if inconsistent with a clearly expressed term of the contract." That underlined the point that the rule was no more than a principle of construction, which could be displaced by the express words of the clause itself.

Mr Sumption's construction of article 23 was accepted. It followed that the builders succeeded because the letter of guarantee and the necessary bank permissions and approvals had not been obtained.

Even if Mr Aikens were right in his construction of article 23, the buyers' claim failed.

Credit funds were an essential pre-requisite to the obtaining of the necessary approvals under article 23. The builders exercised their best endeavours to obtain finance. They were not responsible for their insolvency, which stemmed from the bankers' inability through reasons beyond their control, to honour their long-term commitments.

The vessel's constructional features were not unusual, and there were yards elsewhere which would be able to undertake a special order for a similar vessel. Those factors, coupled with the consideration that the work would have taken place in a foreign yard outside the court's jurisdiction, would have told against an order for specific performance.

Judgment for the shipbuilders.

For the buyers: Richard Aikens QC and Angus Glennie (Watson Farley Williams)
For the shipbuilders: Jonathan Sumption QC and Bernard Eder (Stephenson Harwood)

Rachel Davies
Barrister

La clemenza di Tito

COVENT GARDEN

The revival of the 1974 *Clemenza di Tito* is a triumph of music-making by its principal participants. The famous and much-admired production by Anthony Besch seems, suddenly and strangely, to have dated — the chaps depositing awkward national gifts in the processions, the infusions of chorus "acting," even the tennis-net tree abstractions, all provide an unfamiliar nudge of discomfort, or even unintended comedy. (I continue to find the warm Mediterranean textures of John Stoddart's sets and costumes pleasing.)

Tastes change in odd ways. This production did more to re-establish a grand, serious, and beautiful opera in the international repertory than any other, and it seems terribly ungrateful that one should now want to see it stripped down and simplified in presentation.

And yet Monday's performance gave great joy: a score once dismissed as mechanical, frigid, and patchy was offered as the repository of some of Mozart's most wonderful melodies, most marvellous vocal writing, most masterly instrumental contrasts. The conductor was Colin Davis — which immediately explains the glow on the choral and orchestral sound, and the affectionately personal approach to the score's *opera seria* formality of design.

Davis now unfolds it with relaxed and overflowing musicality; having pioneered the work in this house, he no longer has any need to prove its stature. His tempos are generally stately (the veteran Titus, Stuart Burrows, had no difficulty with the ornate semiquaver knitting of "Se all'impero" at so gentle an Allegro), and his profoundly lived-in, loving view of the score owes nothing to the "period" styles that currently hold sway in Mozart performance. In a big theatre I cannot imagine this opera moving more easily or confidently than it did on this occasion.

Carol Vaness and Anne Sofie von Otter

Vitellia and Sextus are Carol Vaness (who stepped in once during the 1982 revival) and Anne Sofie von Otter (new to the role here). Both are now, without question, the leading exponents of the day. I hesitate to risk comparisons with the Janet Baker and Yvonne Minton of cherished memory, but nevertheless wonder whether in the history of the opera either role has ever been better sung, note for note, than it was on Monday.

Both singers sounded the wide range of their parts without the least strain: whether in unadorned legato or fast flourish, their command was absolute. Miss Vaness's combination of vibrant sensuality in the timbre and strict Classical line is surely Callas-like; Miss von Otter's unforced purity and warmth of style and tone complement her to perfection. Physically, these two singers — the tall, lustrous American soprano and the even taller Swedish mezzo (an ideally lanky, lovelorn youth) — strike dangerous sparks off each other: how could anyone ever have called this opera frigid?

Other parts are well filled: Anne Mason a passionately engaged Annius (in spite of a nasal touch in the tone), Stafford Dean a model of decorum as Publius, the Royal Opera newcomer Gillian Webster taking over as Servilia from the unwell Joan Rodgers and making "S'altro che lagrime" one of the highlights of the evening. Mr Burrows's avuncular manner humanises the impossibly goody-good emperor as much as any tenor can — his interview with the guilty Sextus is most touching — and his singing, particularly in the accompanied recitatives, is full of mature authority. Musically, at least, this is another of the house's treasurable revivals of the season.

Max Loppert

TELEVISION

Surface glamour doesn't make a drama

It was certainly Mies van der Rohe who proclaimed that "Less is more," but was Kingsley Amis really the first person to declare (in the 1960s?) that "More means less"? Whoever it was might have been thinking specifically of the expansion of television at the end of the 1980s. Even though de-regulation signifies little if anything yet in the vast majority of homes, satellite television is nonetheless a reality, BSB is advertising its forthcoming launch, and the Government is finally moving towards the enactment of new broadcasting legislation.

No matter how few viewers have bothered to buy Astra dishes, or will bother to buy BSB "Squariels," and however small the interest taken by most people in changes to the broadcasting laws, the fact is that the programmes on our screens are changing — and changing fairly rapidly — as the existing broadcasters modify their output in an attempt to pre-empt what might happen under the new regime. On the whole, the results are not encouraging.

Traditionally March/April is scarcely a favourite time for launching new series, yet my notebook contains reactions to 16 during the past week, and there were others. A remarkable number are co-productions or fully independent productions: a result of the Government's two-year-old demand that 25 per cent of BBC and ITV programmes should be made by independent producers.

For example, ITV's peak-time schedule on Sunday evening this week consisted of the opening episodes of two new expensive looking drama serials, separated only by the news. *Capstick's Law* is "A Messenger Television Production for Granada Television" which means it was produced by Eddy Shah, onlie begetter of the original *Today* newspaper, harbinger of the Wapping Revolution. Written by the experienced John Finch, the series is technically proficient and well acted by a cast with familiar faces.

So why did my heart sink during the opening five minutes? It was not merely that upon seeing a steam train I muttered "When do we get the first Fair Isle pullover?" only to be rewarded within less than half a minute. After all, *The Singing Detective*, one of the best television series ever made, was chock full of steam trains and Fair Isle pullovers. The trouble is that *Capstick's Law* lacks even a hint of a feeling that it was created because somebody had a passionate desire to create it.

On the contrary, it looks like a product made to a minutely preconceived formula: set in the 1950s (lots of vintage motors) located in the Yorkshire Dales (how else to compete with *All Creatures Great And Small* starting simultaneously on BBC1?) and with nothing to shock anybody (some mild romance, and drug-taking by the black sheep of the family). It brings to mind those realistic looking book-spines that you can order by the yard to fill space on your sitting room wall if actual reading is a bit too much for you: totally authentic in surface appearance but lacking the essential content of the real thing.

The same goes for *Tanamera*, which is "A Grundy Television Production for Central." This is *Dallas* set in pre-war Singapore with lots of Asians and some Australian accents. Again there is much surface glamour: vintage motors, a black sheep (not drugs but homosexuality), and plenty of scenes in evening dress. But the lines have all been re-cycled from previous similar work and the motivation for the entire multi-million-pound effect is made saddeningly clear by Ted Childs, Controller of Drama at Central, whose words provide the last paragraph in the 22-page press pack:

"There is a worldwide appetite for film drama but it is expensive to produce well. Co-productions like *Tanamera* and *Eden's Lost* (a previous Central series) are examples of how programme makers in different countries can come together to fund high cost drama with appealing production values. International co-production of this sort will become increasingly important."

Mirella d'Angelo, presenter of an attractive oddity on BBC2, "When in Italy"

Time was when British television drama was in the business of conviction, inspiration, passion, and giving vent to the individual voice — after all, it was Central that made *Muck And Brass*. But now, with the belief widespread within the business that de-regulation means the end of television as a cultural bank and its transformation into merely another Thatcherite money-making industry, the chief concern is becoming "appealing production values."

Moving forward a day to Monday we find a new ITV situation comedy, *The Labours Of Erica*, which is, again, highly professional. Moreover it has, in Brenda Blethyn, one of the most naturally funny actresses working in Britain today (which is saying quite a lot). But again it is dominated by its formula. As with the last 30 or 40 new sitcoms to turn up, there is no hint of that dangerous individual voice which emerged so clearly from *Till Death Us Do Part*, *M.A.S.H.*, and *The Fall And Rise Of Reginald Perrin*.

It is not mere chance that most of the new series in which "appealing production values" constitute the chief criterion are on ITV and BBC1: those are the channels where the contest for ratings is taking place. Whereas intelligent and more demanding viewers used to find tempting programmes on all networks, today they find themselves limited more and more to BBC2 and Channel 4.

Tuesday's new series on C4, *The Life Revolution* (well, it reached the fourth of six parts last night — so, newish) is an excellent piece of work which is revealing both the extraordinary achievements of biotechnology and also the frightening dangers that mankind may be storing up by tampering with the gene pool. On the other hand *Here To Stay* on BBC1 on Wednesdays is a disappointingly ordinary piece of work in which Robert Kilroy Silk talks to people who have chosen Britain as their home and proves again, if proof were needed, that good looks are no substitute for good journalism. The programme's research and production are fine; how impressive it might be if it were presented by a reporter/interviewer with proven skills, such as Alan Whicker.

Thursday brings a couple of attractive oddities from BBC2 and C4 and another bit of formula-filling from ITV. BBC2's offering is *When In Italy*, one of those travel-and-language series which the BBC now does with such practised skill. This one, about Umbria, the secret "green heart" of Italy, hidden from the tourists, bang in the middle of the country, is presented by a Roman actress, Mirella d'Angelo, who began by admitting she had never been a television presenter before but who proved to be a natural.

The C4 series, presented by my FT colleague Ray Snoddy, is *Hard News* which is clearly designed to do for the press what C4's *Right To Reply* has done for television: to give those outraged by what they see as its excesses the opportunity to hit back in public. Programme 1 suggested there would be no lack of material. And the new ITV series is *Out Of Order*, joky consumer affairs programme which, once again, looks more concerned with ratings than anything else.

On Friday BBC1 offers *The Justice Game*, a drama series about crime and lawyers, set in Glasgow (and a shade too insistently keen on its locations) which may prove fast and funny enough to overcome the formula to which it is clearly written. On the same night C4 has begun *The Thatcher Factor*, a series spun off from Hugo Young's book about the Prime Minister, which is proving what a powerful tool television can be in modern political biography.

The seventh night of the week, Saturday, for years a lowbrow ghetto, shows little sign of change. *Saturday Night At The Movies* ("An Initial Film And TV Production for Granada Television") is a series about cinema which seems more interested in its own ability to entertain than in any serious analysis of its subject. And those of us who live in London then get two really dreadful American crime series *Hot Shots*, pronounced "Hut Shuts," and *Sledge Hammer*, possibly the unfunniest "comedy" ever to cross the Altantic in either direction.

Because a handful of viewers now have a dozen channels going into their homes, the choice on the terrestrial networks — still viewed by the millions — grows poorer. Amis — if he was the one — was right.

Christopher Dunkley

'Alceste' in Monte-Carlo

"Printemps des Arts de Monte-Carlo," the principality's annual arts festival (24 March - 21 April), this year invited the English Bach Festival to present its single opera production. The choice fell on Gluck's *Alceste*, in the second (French) version of 1776.

It was a brave idea, and at the opening, last Friday, in Garnier's extraordinarily opulent marbled, swag-curtained Monte-Carlo theatre (smaller sibling of the Paris Opera), it was proved a worthwhile one. Lina Lalandi's enterprise, which has for so long and with such admirable devotion pursued the ideal of 18th-century opera in period style, reached Gluck last year, with an *Orphée* which I found, in its way, revelatory. The innovator of late-18th-century opera was performed according to the conventions of his day, with appropriate costumes, stylised deportment, period stage machinery, and an orchestra of 18th-century instruments — and, paradoxically, he was made to seem more "modern" and innovative than ever.

But tackling *Alceste*, one of opera's most sombre tragedies, promised to run a greater risk, since for modern tastes the lightness and formal elegance that were so aptly discovered in the *Orphée* performance could well have ended up by softening the later work's grand severity. As it turned out, the style of the EBF production — by Tom Hawkes, designed (on 1770s Paris models) by Terence Emery — was its strongest asset. The opera's starkness of outline, its plainness of cut and directness of dramatic address were all far more finely and precisely drawn than usual, without loss of their potency.

The movement of the small troupe of chorus and dancers (too small, actually: Gluck's original forces were far more numerous) was spare, dramatically pointed: ritual, pantomime, and procession were beautifully sewn into the action. The Act 3 appearance of stylized hell-monsters at the mouth of the Gates of Hell painted cloth was very striking.

Every note of dance music was offered, including the complete final suite (most of it not by Gluck himself); the Festival claimed this to be the first fully complete *Alceste* since the 18th century. As the main flaw of this magnificent opera is its inability to resolve convincingly the situations of grief, mourning, and loss so naturally created, it was rather less of a letdown than usual that in Stephen Preston's choreography the finale should be an elegantly danced *lieto fine* given with high flourish and feathers and flounces twirling. The style of this EBF *Alceste* toned down at least some of the discrepancies of content.

Where the performance fell short was in its principals and conductor. The title role of *Alceste* is one of the most demanding in any opera. In a "period" account of this kind, massive dramatic-soprano resources may not be necessary, but the need for expressive power is as great as ever. The young Australian soprano Claire Primrose sang as she moved, neatly, ably, intelligently; the voice is colourful, if not always smooth in flow; but the heroism, tenderness, warmth, passion and frailty of the role were only sketched.

Little was made of the words which Gluck set with such candid clarity; indeed, except for the Admetus of Gilles Ragon (a tenor altogether too puny of vocal scale and stature), nobody on stage appeared to care overmuch about projecting the words with emotional energy — this included Neil Howlett, doubling as a curiously bland High Priest and Hercules. With it went a general lack of force and focus in the execution of the music. Marc Minkowski, the young French conductor of the EBF Baroque Orchestra, gave the impression of simple inexperience. He too often set uncontrolled fast tempos in a hectic search for dramatic momentum — much of the painful Act 3 dialogue of farewell between husband and wife had to be gabbled — while continually neglecting to twist the screw of Gluck's simple but (in the proper circumstances) overwhelming strokes of harmony and instrumental colour.

Altogether, Friday's performance gave the feeling of a bold new venture not yet completely settled in. The EBF *Alceste* to Covent Garden in July: time enough to iron out the kinks and intensify the blend of music and drama the before then.

Max Loppert

Ivanov

STRAND THEATRE

Yet another ad hoc classical company has been launched in the West End, Alan Bates and Felicity Kendal leading off with Chekhov's very first play in the attractively refurbished Strand, to be joined in fortnightly repertoire at the end of the month by *Much Ado*.

Michael Frayn has persuasively rejected the challenge of *Ivanov* in his Chekhov anthology. His hero is a bored landowner who has fallen out of love with a consumptive wife, Anna Petrovna, who renounced her Jewishness to marry him. A gallery of money-grubbing caricatures and old soaks circle around him before Anna Petrovna dies and he takes final, decisive action on the brink of marrying a much younger girl to whose mother he is in debt. The play is thin but tart, with not enough opportunity for the wronged wife, whom Miss Kendal plays with an affecting tubercular prettiness.

Frayn is probably right about the play's weaknesses, but it has a habit of working in the theatre. Admittedly Gielgud failed to animate it at the Phoenix years ago, mistakenly milking the two self-pitying references to Hamlet. But John Wood gave a corrosively gnawed and despairing virtuoso display for the RSC in 1976, and David Jones directed a wonderful company that included Bob Hoskins, Norman Rodway and Zoë Wanamaker.

Adopting a designer (Mark Thompson) and a few mannerisms from the new Expressionist wave, director Elijah Moshinsky, using a speakable but heavily cut new version by Ronald Harwood, comes up with a spectacle of emotional paralysis that lurches strangely between the worlds of Simon Gray and Ostrovsky.

If you think that watching Alan Bates doing nothing very much for two hours is as exciting as watching paint dry, you will have trouble here. But Bates's special stage magic often resides in non-statements of heavily charged blank minimalism. Like Guinness, Bates now conveys a world of anguish and befuddled resignation with tactics of startling economy. His skill lies in deflecting other actors and engaging with an audience.

Although Chekhov's character is only 35, Bates refers him to the tubby menopausal types who have looked in the shaving mirror and inexplicably seen the abyss. Significantly, the entire stage action is presented as an interruption to a casual but private ablution.

These shades of Butley are compounded with shades of another Gray character, the publisher Hench in *Otherwise Engaged*, who regards others' existence as an invasion of his own privacy. It is extraordinary how Bates renders such a pain in the neck deeply sympathetic. Philosophically, Ivanov sees himself as a superfluous person. That is why he is interesting.

The critical young doctor, Lvov (Philip Franks), is the honnête homme who is horrified by Ivanov's behaviour to the extent of undermining any hope he has of either salvation or happiness. This harsh side of the play is the best thing about it. The third act outburst — "Shut up you Jewish bitch . . . you're going to die soon" — is effectively appalling.

Miss Kendal retreats from the onslaught through a slit in the box set of green planks which increasingly takes on the properties of a cell-like retreat for a verminous misanthrope. Tumbling through are Nicky Henson's gravel-throated, energetic estate manager, Sheila Steafel's brightly scarlet moneylender, and, hitting the cartoon style best of all, Cherith Mellor's rapacious, grim-jawed widow.

Karen Ascoe is a bland young bride, but there is more than flavoursome compensation from Peter Sallis and Frank Thornton as, respectively, her sottish father and a silly old Count.

Michael Coveney

Alan Bates and Felicity Kendal

ARTS GUIDE

April 7-13

THEATRE

London

Fuente Ovejuna (Cottesloe). Wonderful production of Lope de Vega classic by *Cheek By Jowl* director and designer Declan Donnellan and Nick Ormerod. The best National production in this venue since the Bill Bryden company. April 12, May 3-6 (928 2252).

Bed (Cottesloe). Imaginative reverie for old codgers in pyjamas and a sleeping den as big as the *Great Bed of Ware* itself. The delightful and unusual proceedings are scripted by Jim Cartwright, directed by Julia Bardsley. April 13-19, April 26-May 2 (928 2252).

Hamlet (Olivier). This picturesque Renaissance revival by Richard Eyre for the National Theatre is a disappointment, though Daniel Day-Lewis may improve with experience in the role. Judi Dench is a muted Gertrude, Michael Bryant a superbly busy and dangerous Polonius. Fullish text, but no emotional or intellectual fire. April 12-15, May 2-8, 16-18, May 25-June 1 (928 2252).

Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Simon Callow plays Guy Burgess in a rehash of Bennett's fine TV film An Englishman Abroad (734 1166).

Back With A Vengeance (Drury Lane). Dame Edna Everage, alias Barry Humphries, breezes back to town after a nationwide tour and is not to be missed. Ends April 15 (836 8108).

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stone-walling and no-dealing tricks (930 2578, cc 839 1438).

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. A must for yuppies (379 6107, cc 741 9999).

Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).

The World According to Me! (Playhouse). Jackie Mason, Jewish stand-up comic who revives the near lost arts of scathingly satirical monologue and vaudevillian timing to the London stage for a limited season. Achingly funny and irreverent. (839 4401)

Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Aspects of Love (Prince of Wales Theatre). The new Andrew Lloyd Webber musical, directed by the RSC's Trevor Nunn, which has already made a hit with record-breaking advanced sales. Michael Ball, formally in Les Misérables, stars. (839 5972).

King Lear (Old Vic). Major performance by Eric Porter in Jonathon Miller's production of the Shakespearean tragedy. (928 7616).

Rotterdam

Evita the original Broadway production of the Andrew Lloyd Webber-Tim Rice musical with Florence Lacey. Tue, Wed (two perfs). Doelen (413 2490).

New York

Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy.

The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (*Shubert*). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Paul Robeson (Eisenhower). Tony-award winner Ron Richardson alternates in the title role with Avery Brooks as the heroic American black singer, entertainer and civil rights activist in this new musical. Ends April 30. (254 3670)

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. At the National Theatre (265 7411). *Shinsarayashiki Tsuki Amagasa* (*O Tsuka's Death*) depicts the uneasy relations between the upper and lower classes in the late 18th century and contains a famous scene in which the leading character breaks a vow and turns back to drink. Among the artists appearing in the 11am mixed programme at Kabuki-za (541 3131) is Living Nation al Treasure Nakamura Utaemon VII, who performs a famous dance piece, *Yoshino Yama*. In the 4.30pm programme the emphasis is on comedy. Both theatres have informative English language programmes and an earphone guide in English.

Ryvo (*The Dragon King*) Shimbashi Embujoh Theatre (541 2211). Vulgar but highly enjoyable production (in Japanese and Chinese) in which plot, about a Chinese boy and a Japanese fisherman who join forces to defeat the dragon king, is less important than acrobatics and spectacle. Directed by and starring kabuki showman, Ennosuke Ichikawa, with over 100 members *of his own company and of the* Peking Opera Company.

Nastasya. Benisan Pit (546 2087). Brilliantly conceived and executed adaptation (in Japanese) of Dostoyevsky's *The Idiot*, directed by Andrzej Wajda and starring world-famous kabuki actor Tamasaburo Bando in his first ever male role as Prince Myshkin. In flashback scenes he also portrays the lovely Nastasya Filipovna, conveying her fickle charm with a minimum of props and a great economy of gesture. A virtuoso performance.

My Fair Lady. Koseininkin Kaikan, Shinjuku (407 8155). Touring production (in English) of the classic musical, with James Harrison following in father's footsteps as Professor Higgins.

The Cherry Orchard (in English). Ginza Saison Theatre (535 0555). Peter Brook's widely acclaimed production was first seen in Jean Claude Carriere's French translation in Paris and later in English in New York. The cast includes Brook's wife Natasha Parry as Ranevskaya, as well as Arthur Miller and Norman Mailer's daughters. A family show!

SALEROOM

Porcelain breaks records

Christie's had a most successful sale of early European porcelain on Monday night, bringing in £781,132 with every one of the 88 lots finding a buyer. Such a success is not surprising: all the objects were of the top quality and have an excellent provenance, being collected during the 1960s by the late Ernesto Blohm.

There were many auction records for the work of particular factories and styles, most notably the £93,500, almost twice the estimate, paid for a Capodimonte group of rabbit catchers modelled by Giuseppe Gricci around 1750. Only one other example of this design is known. In 1968 Mr Blohm bought it at Christie's for £9,450. Another Capodimonte group, of Neapolitan revellers from the hand of the same modeller, went for £88,000, an impressive appreciation on the £4,000 paid for it in the same room twenty years ago.

There was also a record for an item of Bow, the London dealer Albert Amor paying £49,500 for a pair of white busts of Mongolians made around 1750 (as against a price of £851 in 1965). Other records included a pair of Fulda figures, of musicians, went to the Munich dealer Robbig for £44,000, and the £26,400 paid for a Furstenburg figure of Dr Boloardo from the Commedia dell'Arte series.

Christie's was still in the records yesterday when it achieved an auction high of £176,000 for a Qur'an. It was paid by the London dealer David Khalali for a complete Eastern Kufic miniature Qur'an dating from the 10th century. It is early and rare in being complete and written on vellum. It was sold by descendants of the Qajar family which ruled Iran until the 1920s. The price was way above the £100,000 top estimate. A Qur'an section, probably 12th century and Spanish, went for £22,500.

The morning session of the Islamic auction totalled £548,910 with 17 per cent unsold. A Qajar painting of a young Mughal prince, dated around 1810 and signed by the celebrated artist Mihr 'Ali, did well at £66,000. It is a long time since a Qajar painting, much collected by the last Shah's family, fetched such a sum.

*

Christie's has categorically denied that it has offered the vendors of Pontormo's portrait of Duke Cosimo de Medici, which it is selling in New York on May 31, a guarantee. The painting, the finest Old Master to appear on the market for many years, it expected to sell for at least $20m.

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Policing EC mergers

THE WAVE of mergers and acquisitions sweeping across large sections of European industry is all to the good as long as it produces more efficient and dynamic business groupings. However, the increasingly feverish psychological climate in which many deals are being made gives rise to two distinct concerns, to which shareholders and policy-makers need to be alert.

One is that, in the stampede to prepare for the single market, companies will overreach themselves, allowing opportunism or the pursuit of size for its own sake to prevail over sound business logic. Such misjudgments are bound to end in tears. The other is that mergers will result in excessive concentration and cartelisation. That risk is particularly great in public sector markets *such as telecommunications* and power engineering, where a long history of government protection has encouraged a monopolistic attitude among producers.

At present, the European Community lacks systematic safeguards to check such abuses. Only a few governments operate rigorous merger policies, which in any case stop at national frontiers. The European Commission has sought to intervene more actively, but its existing powers in this area are sketchy and cumbersome to enforce. The consequence is a messy mosaic of partial controls and a high degree of regulatory uncertainty.

Specific authority

At a meeting of EC industry ministers tomorrow, the commission will make another push in its long-standing campaign to win specific authority to vet in advance – and, if it chooses, to block – large cross-frontier mergers. Its demands have already gained a broad measure of support, and the debate about its future role now turns increasingly on practicalities, rather than issues of principle. The remaining resistance comes mainly from Britain and West Germany, the two countries with the most highly evolved controls of their own. Their reservations appear to stem partly from a defensive preoccupation with sovereignty, but also from genuine uncertainty about how the EC scheme would work.

In an effort to reach quick agreement, Sir Leon Brittan, the competition commissioner, recently suggested a compromise. It would reduce the number of mergers which would be caught by EC controls, notably in the first few years of their operation, and would clarify the dividing line between national and Community jurisdiction. These proposals seem sensible, not least because they recognise that if the Commission cast its net too wide initially, it would risk capturing more cases than it had the resources to handle.

Woolly aspects

However, several other aspects of the scheme remain woolly. They include the conditions *in which governments* would be entitled, for reasons of national interest, to block mergers approved by Brussels, and whether EC law could be invoked in national courts to challenge deals which fell outside the Commission's jurisdiction. There is also still uncertainty about the potential latitude available to the Commission to interpret merger decisions in the light of industrial policy objectives, as France and southern EC members would like.

Decisive clarification is required, above all on the last of these points. The overriding purpose of merger control must be to promote competition and keep markets open. That cannot be too heavily underlined, particularly a time when protectionist pressures are rising in the EC, and support is growing for the ill-conceived notion that "European champion" companies are needed to compete effectively on world markets.

The commission is asking for substantial authority, and wide discretion in administering it. EC member states have every right to withhold assent until they are fully satisfied that its remit is drafted with precision, and that the procedures for implementing it ensure efficiency, transparency and impartiality. The aim of negotiations from now on should be to ensure that Brussels is given the right tools for the job, neither more nor less.

A policy for community care

MR KENNETH Clarke, the UK Health Secretary, should spend less time brow-beating doctors and more time thinking about the problems his department has yet to confront. The most important of these remains community care – the domiciliary services which the elderly, the physically disabled, and the mentally ill and handicapped need if they are to have any chance of leading a worthwhile life in the community. Reform proposals were put forward more than a year ago by Sir Roy Griffiths, Mrs Thatcher's special health adviser. Mr Clarke, despite urgent calls for action from all concerned, has failed to make any kind of response.

A crisis in community care has been brewing for many years, if not decades. In the early 1960s, psychiatrists and others began to argue that the Victorian institutions were not a good environment for the disadvantaged. They tended to foster rather than reduce people's sense of dependency. A better solution, they said, would be to model care more closely on that provided by family and friends. People should be treated in small units close to the community and encouraged to lead as independent a life as possible.

The strategy of replacing institutional by community care was never properly implemented. The closure of institutions became popular in Whitehall (partly because it seemed a good way to reduce rapidly rising health expenditure), but adequate community facilities were not created in their place.

More costly

Politicians failed to grasp that community care was not a cheap option. In the short run, it required an increase in expenditure – the community facilities have to be established before the institutions are closed. But even in the longer term, the savings are uncertain. Care packages tailored to individual needs in the community are often likely to prove more costly than the Victorian solution of cheap dormitory accommodation.

The second problem is organisational in nature. The National Health Service had clear responsibility for its geriatric wards and mental hospitals. But, as the Audit Commission pointed out over two years ago, responsibility for community care is fragmented between local authority social service departments, voluntary organisations, community health services, private bodies and housing departments. There is no easy mechanism for transferring cash from the NHS to these carers. Local authorities, in particular, do not get an earmarked grant for community care; they have thus been enjoined to build up services during a decade in which their budgets have been sharply constrained.

Gordian knot

Sir Roy Griffiths attempted to cut through the Gordian knots. Somebody, he said, must be given clear responsibility for community care. He regarded local authority social service departments as the only plausible candidate. This reflected both their expertise and their direct local political accountability. The latter point is important because community care policies, by their nature, have implications for local communities (for example, communities have to be prepared to accept a certain amount of disturbance if mentally ill people are to be allowed to roam the streets). Sir Roy said local authorities should get direct grants proportionate with their responsibilities. He also advocated a long overdue rationalisation of financial support for care: at present social security grants can be used to finance residential care but not to pay for domiciliary services.

There are no easy solutions in community care. This is not an area where the market can play a big role: those in the greatest need of care are often those with the least cash and the least ability to make rational choices. Responsibility has to be vested in a bureaucracy of some description and it has to be properly financed. The sensible course would be for the Government to accept Sir Roy's arguments and set about ensuring that local authorities discharge their responsibilities as efficiently as possible. A glance at demographic trends should convince Mr Clarke that this is not an issue he can ignore for much longer.

Bruce Clark and Tim Dickson examine the growth of European co-operation on the environment

Towards a green consensus

For the Germans, the Dutch and the Danes, it has been a bewildering few months in environmental politics. France and Britain, whose policies for so long exasperated their "greener" European Community partners, have begun to jockey for a leading role in ecological diplomacy.

Britain, ever pragmatic, chose the specific question of chlorofluorocarbon gases (CFCs), summoning officials from 124 countries for a spectacular denunciation of the offending chemicals.

No less characteristically, France took the cerebral approach, turning attention to the question of how global warming might affect North-South relations. Together with Norway and the Netherlands, it hosted a 24-nation summit in the Hague, from which Mrs Margaret Thatcher, the UK Prime Minister, pointedly stayed away.

Arguably, this seizing of the initiative by London and Paris is only an apparent paradox. The past year has seen the emergence of global threats – ozone depletion and greenhouse warming – which almost compel new forms of international co-operation. So it was to be expected that the two European countries most at home on the world diplomatic stage should take the lead. But Anglo-French zeal over global issues has not, as yet, *changed the fact that* Western Europe is deeply split by political attitudes to the environment – posing serious problems for European integration.

Among the Germans, seemingly sated by prosperity, ecological concerns have been seeping out from the Green movement for a decade and have become a key priority for all political parties.

The Dutch, about to adopt an environment plan to slash all forms of pollution by at least 70 per cent within 20 years, are gripped by fears of being the "wastebin" of Europe. The environment has soared ahead of unemployment as the prime national concern; some 70 per cent of the Dutch would forgo higher living standards for a cleaner country.

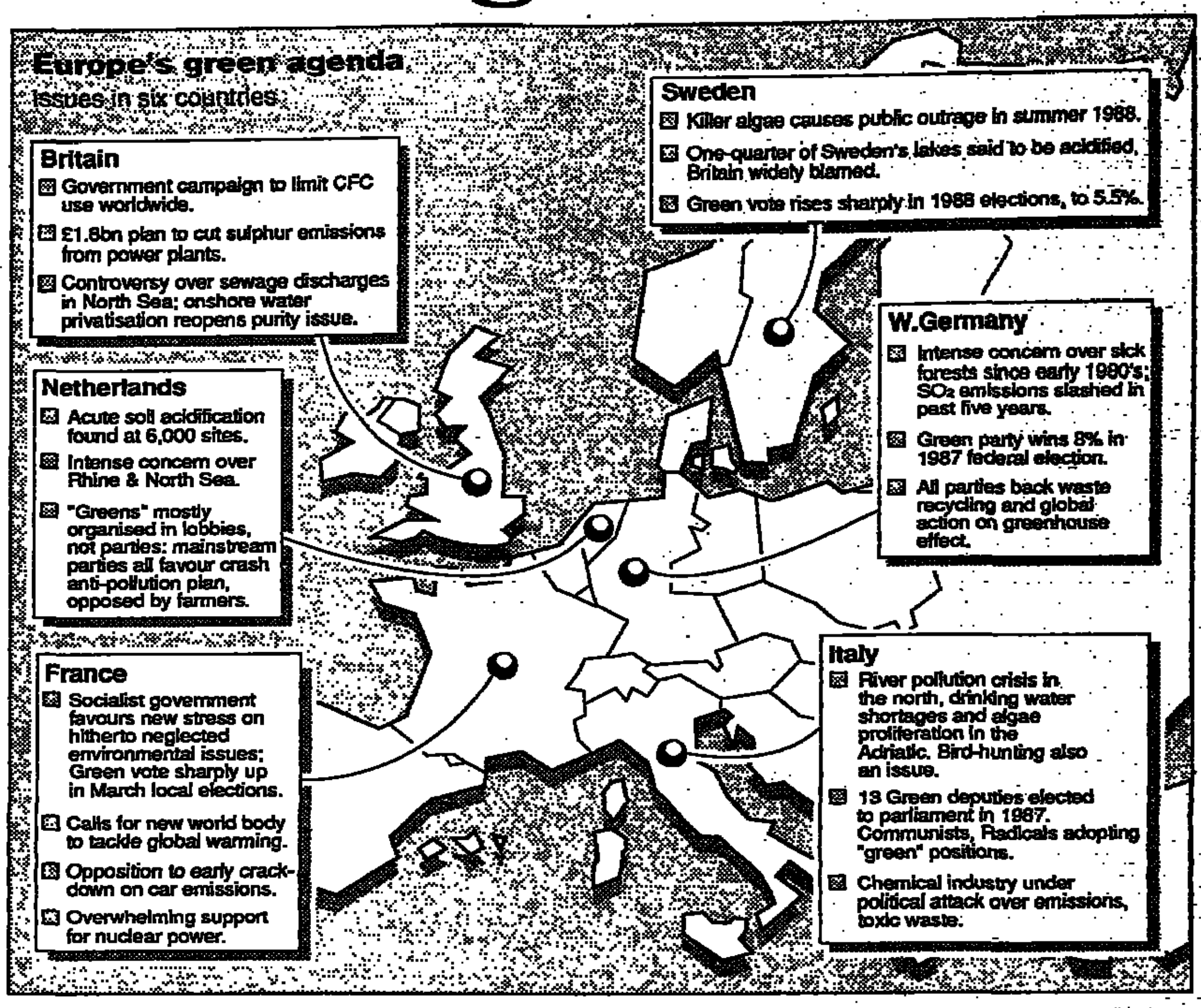
But in Britain, France and southern Europe these preoccupations have not been anything like so intense – at least until recently.

The split corresponds so nearly to Europe's oldest fault-lines – Teuton/Latin, Protestant/Catholic, bourgeois/agrarian – that one could devise elaborate cultural theories to account for it. Dutch, German and Scandinavian officials offer a simpler explanation: their countries (whether because of dense populations or proximity to the appalling pollution of Eastern Europe) are simply the worst affected.

Differing environmental policies pose two kinds of difficulty for European integration: problems of *products*, and problems of *production*.

If they were not restrained by their participation in the EC, the Dutch, Germans and Danes would undoubtedly set far higher environmental standards for products ranging from washing powder to fertilisers and petrol – as those countries just outside the EC with similar political attitudes, such as Sweden and Switzerland, have done.

But unilateral moves by "greener" EC countries run the immediate risk of being branded as protectionist by fellow members. The bitterest dispute of this kind is the row over car exhaust; France has for five years been leading a rearguard action against German and Dutch moves to impose stringent US standards, saying this would add disproportionately to the price of smaller cars.



The latest wrangle concerns an unhappy compromise reached in November: the French only agreed to that on condition that the European Commission take the Dutch Government to the European Court over its planned tax rebates for cars meeting US norms.

The cars case looks as if it will turn into an important legal test of some provisions of the Single European Act. The key uncertainty surrounds the full implications of Article 100A, which provides for voting by member states on a "qualified majority" basis and forms the legal basis for most internal market directives.

Almost certainly, the argument will centre on paragraph 4 of the article which says that an EC country in a minority position can introduce stricter standards, subject to approval from the European Commission, which may refer the matter to the European Court.

This is uncharted legal territory, but an important precedent is the Court's ruling in the "Danish bottle" case where Copenhagen's ban on imports of non-returnable bottles was rejected, but its ambitious recycling system was upheld, because the means were held to be "proportional" to the environmental ends.

This ruling has apparently encouraged West German moves to insist on the recycling of plastic bottles – moves which France, among others, sees as a direct attack on its exports of bottled water.

The Dutch environment minister, Mr Ed Nijpels, says firmly that the Netherlands will act alone over products whenever it perceives a vital national interest. His West German counterpart, Mr Klaus Töpfer, takes a more cautious attitude to unilateral measures, saying that although EC law allows for them, the weapon must be used sparingly.

Over *production*, the problem is more political than legal. West German and Dutch industries, notably power generation and chemicals, have hobbled their competitive position by devoting far more effort to pollution control than the equivalent sectors in neighbouring countries. The governments in Bonn and the Hague face continual pressure from local industry to demand more stringent regulation throughout the EC, so as to level the playing field.

As Dutch and German officials see it, government and industry in France and Italy have been short-sighted in lagging behind. The dirtier countries, so the argument runs, will have to tighten regulations; and they have allowed Germany the advantage in anti-pollution technology.

Mr Brice Lalonde, the former head of France's ecologists who has now become environment minister (to cries of "sell-out" from ex-comrades) is incensed by German preaching. An eloquent debater, whose rise to power has not staled his youthful, firebrand intensity, he lists a string of areas in which France's performance is better.

He says that France's "alert" threshold for sulphur dioxide in the air is lower than Germany's; accuses German chemical firms of refusing, on grounds of commercial secrecy, to detail what they dump in the Rhine; and recalls that France, thanks to reforestation and nuclear power, has slashed carbon emissions.

His relationship with French industry, of which he was long a scourge, is a paradoxical one. He is unembarrassed about insisting, under industry pressure, that the Dutch be taken to court over car emissions. "I do not work for industry, but I am obliged to work with it."

Yet, when confronted with German arguments about the short-sightedness of French companies, he acknowledges "some truth in that." Moreover, he adds, French industry is coming round to the same point of view. The Dutch and Germans would no doubt say that this was what they predicted. In Bonn and the Hague, there is a quiet conviction that the "dirty" countries are being converted to the Teutonic position, if only because their environmental sins have caught up with them.

And there are more and more indications that the Dutch and Germans' forecasts are coming true.

Already, there has been a significant change in the political atmosphere surrounding the car emissions dispute. The Commission has chosen the slower of two available legal routes to challenge the Dutch, and it now appears to be calling for an EC-wide move, by 1993, to the very US standards that the Dutch are being challenged for encouraging.

The Netherlands' moral case could be further strengthened if the environmentally-minded European Parliament signals its dissatisfaction with the November accord in an important vote on the issue today.

In regional forums, such as the 4-nation Rhine Action Plan and the 8-nation North Sea group, there has been a quiet improvement in co-operation, despite such spectacular disputes as the Franco-Dutch row over salt-dumping in the Rhine, and the controversy over Britain's dumping of sewage sludge at sea. Last year, Britain made significant concessions over acid rain.

The most astonishing upsurge in "green" concerns is taking place in Italy, where pollution of the Po river by fertilizers, livestock and the chemical industry is poisoning the Adriatic and leaving whole provinces without drinking water. The green movement has pushed ecology from the bottom to the top of the national agenda, won a series of local political victories against the chemical industry and forced it to plead for time to clean up.

But Italy's decentralised political system is in danger of paralysing environmental policy: everyone agrees that a huge increase in waste treatment capacity is needed, but no province or municipality wants to host the installations.

At the other extreme, France's centralised political system has long been the despair of "green" activists, who complain that its bureaucratic élites and old-guard politicians seem immune to grass-roots lobbies. But the French Greens (like their Italian counterparts last year) have just seen a spectacular rise in their vote in local government elections, topping 20 per cent in some towns.

More important, mainstream French politicians are now saying that the might of the French state should be directed towards addressing ecological concerns rather than squeezing them off the agenda.

Mr Lalonde notes that France has a centralized anti-pollution agency, similar to HM Inspectorate of Pollution in the UK: potentially a more powerful administrative tool than anything available to the federal government in West Germany. He also strongly favours a EC environmental inspectorate and, like Mr Töpfer, he is interested in a proposal from Mr Jacques Delors, the Commission president, for an EC environmental agency with even broader functions.

EC environment ministers, says Mr Lalonde, should concentrate, at their twice-yearly meetings, on institutional issues like enforcement rather than technical questions.

In contrast to loosely structured bodies like the International Maritime Organisation, the EC already has a powerful enforcement weapon in the European Court of Justice. But in practice, the ratification and enforcement of Community directives has depended on that old intangible, the climate of opinion. And the climate of opinion is "news-driven".

The 1986 spillage into the Rhine from the Sandoz chemicals group forced many member states to introduce safety standards which should have come into effect years earlier under the "Seveso" directive, named after the tragedy that swept an Italian town in 1976.

EC rules on the international transport of toxic waste are hurriedly being implemented by member countries following the widely-publicised evidence of dumping in the Third World. And British plans to privatise the water industry have focused attention on bathing and drinking water directives that should have been enforced five years ago.

Climate of opinion is a notoriously volatile factor, but on the issue of ecology there seems little doubt about its broad direction. Hopes of a new "green" consensus throughout Europe no longer look unrealistic.

It is when that consensus is reached that the really hard questions may start to be asked: about priorities in European power generation and industry, about the European stance on global issues, as they affect relations with the developing world; and above all about the intensive agriculture which Community policies have done so much to encourage.

OBSERVER

Changing the Abbey habit

■ Perhaps it was the three, 18-ft high video screens beaming Orwellian images of Sir Campbell Adamson and his fellow Abbey National directors on the podium below.

Or perhaps it was the podium itself which seemed just right for the Supreme Soviet scene in a film of the book entitled 'Gorbachev - my part in Boesky's downfall'.

Whatever the reason, the minuscule number of Abbey National borrowers and savers who braved the north London gales to reach Wembley Arena for the end of the two year campaign to turn Abbey from a mutual society into a plc, were not to be appeased.

Dwarfed but not awed by the 12,000-seat stadium and virtually outnumbered by Abbey staff carrying walkie-talkies and clipboards or wielding video cameras, most of them came to fight to the last.

The Abbey had harnessed millions of pounds, hundreds of thousands of words, 165,000 telephone responses and 17 meetings around the UK to win over the society's 5.6m eligible savers and borrowers. They had expected thousands for the final rally. Just over 900 turned up.

Most of the audience was pretty hostile, if that is the right term for a group which included a chorus of little old ladies in felt hats and a Chinese gentleman from Brighton who bore a striking resemblance to the Dalai Lama.

AMAF, the vociferous minority which opposes flotation, clearly intended to go down passbooks blazing.

Statesmanlike Sir Campbell tried hard to appeal to their wider vision. He used all the right catch-phrases- "corporate democracy, prudence, flexibility."

The comrades were having none of it. Sir Campbell and his fellow directors were accused of everything from fattening Abbey up so that it can be delivered to the "wolves of the stock exchange, a depraved jungle where sheep are regularily devoured" to behaving like Ivan the Terrible.

He maintained a dignified calm but was clearly shaken when one elderly gentleman described the flotation as a "benefit match" for Sir Campbell and the Abbey Board and wanted to know how many share options they proposed to allot themselves.

"I am speechless", sniffed Sir Campbell before moving on to victory.

Spark needed

■ The appointment of director general of electricity supply is becoming a matter of some urgency. Headhunter Saxton Bampfylde has been trawling academia, industry and Whitehall since January, but has yet to produce a short list.

The firm's lack of success to date comes as no surprise. The proposed salary for the job is a miserly £60,000, yet the task of regulating the privatised industry is expected to be fiendishly difficult. In the other big regulatory empires - telecommunications, gas and water - the industrial structure is relatively straightforward.

The man (or, implausibly, woman) who runs the Office of Electricity Regulation (Offer) will have to improvise to a much greater extent. Electricity privatisation is a leap in the dark: the pseudo-competition in power generation envisaged by Cecil Parkinson has no international parallel. There is a real risk of reduced efficiency, if not something nearer chaos.

Some say ministers should play safe and appoint somebody with a track record in regulating a privatised monopoly. Sir Bryan Carsberg at Oftel and Mr James McKinnon

at Ofgas are both highly regarded. But there is little logic in moving somebody who is already doing an important job well. In any case, such a sideways shuffle would still leave Whitehall a regulator short.

Among academics, Professor Stephen Littlechild of Birmingham University is still mentioned as a possibility. He is a devotee of free market Austrian economics and claims credit for inventing the RPI-X regulatory formula. But he lacks solid experience of either industry or Whitehall and might prove too intellectually rigid for the job.

Ministers would probably do better to forget economists, especially the ivory tower species, and try to attract a canny businessman like McKinnon.

High water

■ If the environmental pressure group Ark is to be believed, the greenhouse effect could do wonders for some house prices but not others.

Sea levels, which are apparently governed by the levels of carbon dioxide in the atmosphere, could rise so far that much of Britain would be under water by the year 2050.

The group says large parts of London will be under water by then. Parliament may have to move to Birmingham. Hull, Glasgow and Belfast would either disappear or flood.

The Metereological Office at Bracknell says it's a load of hot air and, while I have the greatest faith in their judgement, I'd buy a penthouse if I were moving to docklands.

Big Ed

■ Georgians are a larger-than-life people. Georgian men greet each other with a kiss on one cheek and tend to break into the deep tones of Georgian song. They are great drinkers, they love great theatre and music and jive madly in discotheques.

Mikhail Gorbachev has chosen well in sending Eduard Shevardnadze, his Foreign Minister and a Georgian, to restore calm.

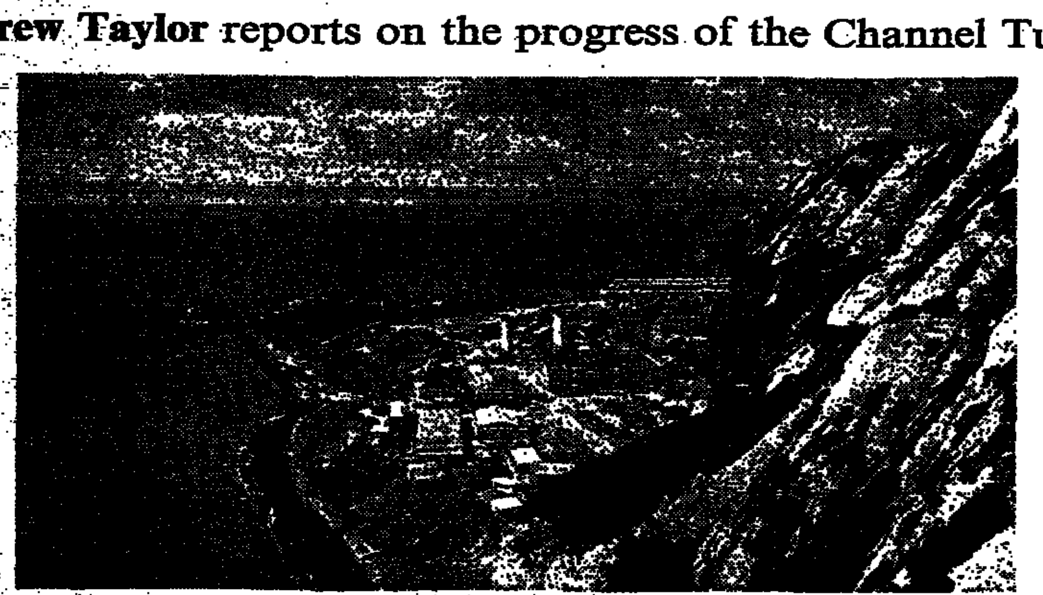
Shevardnadze is best remembered precisely for his ability to bring nationalist demonstrations to an end. According to the West German journalist, Christian Schmidt-Hauer, a disputed penalty caused a dangerous outbreak of nationalist feeling at a football match in 1977, between Dynamo Tbilisi and a team from the Russian federation.

"Shevardnadze went on to the playing field with a megaphone," writes Schmidt-Hauer, "and persuaded the brawling fans and truncheon-wielding police to withdraw amicably: 'The referee's decision will be checked tomorrow!', he yelled. 'Now go home!'" Most of the fans did.

Minor Errors

An Irish priest had been hearing confession at a girl's school. "How did it go?", a friend asked. "If you must know", he said, "it was like being stoned to death with popcorn".

Andrew Taylor reports on the progress of the Channel Tunnel



Shakespeare Cliff, Kent: British tunnellers started work here 16 months ago

Getting up to speed underground

The best way to appreciate the grandeur of the Channel tunnel project, one of the 20th century's greatest engineering endeavours, is from the air. Underground, the tunnel looks just like another hole in the ground. For all its proposed record length of 51km (32 miles), it does not require new tunnelling technology or underground working practices.

From a helicopter, however, you can see the immense scale of the task facing Transmanche, the group of five British and five French construction groups which have contracted to design and build the tunnel and its support facilities.

It is 25 minutes by helicopter from Shakespeare Cliff, where British tunnellers started work 16 months ago, to the Isle of Grain, 35 miles away on the Thames estuary, where concrete linings for the tunnel are manufactured.

On the way, you fly over over the proposed rail terminal at Cheriton near the Kent coast where 60,000 cubic metres a day of bright orange sand and seawater is being pumped ashore from the Goodwin sands to level the site.

The terminal alone represents Britain's third largest building contract, behind the 12m sq ft Canary Wharf office development in London's Docklands and the Sizewell B nuclear power station in Suffolk.

At the Isle of Grain the helicopter has to land on waste ground, because the car park is full of the plant's output, seven months' supply of concrete tunnel linings. The plant – purpose built by the contractors at a cost of more than £100m – is fully automated and computer-controlled.

Back at Shakespeare Cliff can be seen a small village of portable buildings where 800 of the 3,000 tunnel workers live. At the base of the cliff, tunnel spoil is pouring out along out a long conveyor belt. The spoil will be used to turn the man-made platform, which will extend out to sea along the foot of the cliff when the tunnel is completed, into a leisure area.

At the moment it contains a large railway marshalling yard, where tunnel linings from the Isle of Grain begin their final journey underground.

The contractors have to construct two railways: one to get men and material to and from the tunnel face during construction. This will be ripped out when the tunnels are completed to allow the "real" railway, with more than 200km (125 miles) of track, to be built.

The project has begun to recover after serious delays last year in digging the service tunnel, which will run between the project's two rail tunnels.

At one stage last year the French section of the service tunnel was six months behind schedule. The British section was three months late. Rows over the delays between Eurotunnel, the publicly quoted company which will own and operate the tunnel, and Transmanche led to a new agreement between the two sides in January.

The contractors now have to meet 18 key design and construction deadlines before June 15, 1993, when the tunnel is due to open. Eurotunnel and Transmanche are trying to identify savings to offset rising costs, which could rise by as much as £500m over the original estimate of £4.7bn. Included in that increase are contractors' bonuses, if they meet their revised production targets.

Progress of the British and French engineers digging the tunnels had started to improve well before the new agreement with Eurotunnel. By the end of last month the service tunnel was progressing at a rate of more than 400 metres a week, compared with a target of 337 metres. Work recently started on the main rail tunnels. Altogether, the two teams have excavated a total of 8km (5 miles) during the first three months of this year compared with 7km for the whole of 1988.

British engineers on their own completed more than 500 metres of the service tunnel last week, easily surpassing the combined target rate for both British and French tunnellers. To meet their revised targets, the contractors will have to dig 5km (3 miles) of the British section of the first rail tunnel by November 1.

What went wrong last year? *Possible answers, listed by* Eurotunnel and Transmanche, and all more or less borne out by conversations with suppliers of materials and equipment include:

● Inherent difficulties. Mr Alastair Morton, Eurotunnel's British joint chairman, says that to have expected the job to run smoothly from the start *or to believe that no more* problems will emerge is to misunderstand the nature of large construction projects. Tunnelling is notoriously hazardous. Ground conditions – even with a geology as well researched as the sea bed under the Channel – can vary strikingly in the space of a few hundred metres. Even experienced tunnellers can be caught by surprise. Transmanche says poorer than expected ground conditions under the British coast were a particular problem last year.

● Contractors' management. Mr Morton has criticised Transmanche for not managing the tunnelling operations properly last summer – when engineers were averaging just over 100 metres a week under the British coast and a tortuous 17 metres a week under the French coast. Eurotunnel says the appointment by Transmanche of new senior tunnelling managers last summer was an important factor in the recent improvement in tunnelling rates.

● Teething problems. Transmanche says teething troubles with machinery on both sides of the Channel were an important cause of last year's delays. The tunnel boring machines, for example, ran into problems. Under the French coast – where the ground conditions were about the worst the tunnel borers will face – there have been difficulties with a pump used to convey a slurry of spoil and water away from the tunnel face. And on the British side, rocks kept falling into the machinery. A flexible sheath, called trailing fingers, now protects the tunnel borer. Some suppliers blamed the contractors for inadequate reporting procedures for machinery breakdowns last summer.

● Eurotunnel's own management – another factor blamed by Transmanche. And suppliers say Eurotunnel added unnecessary layers of management, and failed to delegate properly. According to one supplier: "We would have detailed discussions with Transmanche, reach agreement and then have to repeat the whole procedure with a new series of meetings with Eurotunnel. It just delayed decision making."

Announcing Eurotunnel's annual results last week, Mr Eurotunnel said duplication of management between Transmanche and Eurotunnel was one area being examined for possible savings. And there have been senior management changes at Eurotunnel as well as Transmanche.

The project is now entering one of its most important phases as attention switches to the trains and transport systems which will run through the tunnel. An important deadline this summer will be to award contracts for the design and construction for tunnel shuttle trains which will carry paying passenger, cars, lorries and coaches on their 30 minute journey under the Channel.

Potential suppliers bidding for the shuttle trains say tender prices are likely to be more than double Eurotunnel's original estimates. The company is thought to be considering leasing the trains in a bid to reduce costs.

The first year of a large scale engineering project is always likely to be the most difficult as equipment, management teams and procedures are tested for the first time. Recent performances by the tunnellers, however, suggest Transmanche has managed to sort out some of the problems which emerged last year. As one manufacturer, critical of last year's efforts, puts it: "Some of the best engineers in the world are working on the tunnel but it takes time to build an organisation from scratch. Things are much better organised now."

The next 18 months will provide a stern test of the organisation which has been put in place as well as the new relationship between Transmanche and Eurotunnel.

Debt Reduction

Voluntary measures are already working

By William Rhodes

The IMF and World Bank meetings last week confirmed that the international debt crisis has entered a new phase – that of voluntary debt reduction.

How this will be accomplished will probably not become fully apparent until it is applied on a country-by-country basis. Yet there are precedents, and lessons to be learnt, for voluntary debt reduction is hardly new.

Many forget that it was introduced in 1984, during negotiations with Mexico, in the form of debt-equity conversions. In 1987 exit bonds – which reduce debt service – were introduced in an agreement with Argentina. Later that year Mexico presented its debt-to-debt exchange offer, which reduced the country's external obligations by approximately $1bn. The medium-term financing package negotiated with Brazil in 1988 demonstrated for the first time that significant voluntary debt-reduction programmes and new money need not be mutually exclusive. Not, that is, when the two are combined in a way that meets the needs of a country and its creditor banks, and advances the country towards an eventual return to the voluntary markets.

The Brazilian package combines $5.2bn in new loans from commercial banks with a considerably greater amount of debt reduction, in the most comprehensive and innovative menu of options to date.

The options for debt reduction included exit bonds, which were a success – unlike the earlier Argentine exit bonds – largely due to features such as local-currency convertibility, with over 100 banks subscribing to approximately $1.1bn of them. Some of these banks had refused for years to participate in new-money packages.

I believe that mechanisms like the exit bond will be used extensively. Unlike other kinds of debt reduction, bonds similar to exit bonds offer a country immediate cash-flow and interest-rate relief.

I have argued before that the 1988 Brazilian package marked a new phase in the debt crisis – centring on increased voluntary debt reduction as a complement to continuing new-money exercises.

I believe that the ideas put forward by Mr Nicholas Brady, the US Treasury Secretary, though still general in nature, support this view. The importance being placed on voluntary debt reduction is a necessary part of any future debt strategy. However, the restructuring countries will also continue to need new-money flows for future growth. The current Colombia refinancing, which is still in the market, is a good example of banks supporting countries with good economic management.

Voluntary debt reduction has been gathering momentum. Chile has cut its external bank debt by 36 per cent, through conversion programs and a debt buy-back. Mexico has retired approximately $5bn of private-sector debt through debt-to-equity conversions and its debt-to-debt exchange, plus an estimated $10bn to $15bn of private-sector debt through market transactions. Last year Brazil reduced its debt by over $6bn net of new money, primarily by conversions of debt into equity and into local currency.

We hear proposals to abandon the current case-by-case, country-by-country evolutionary process, including voluntary debt reduction, in favour of an "imposed" solution. Most prominent is some type of international facility, which would mandate the purchase of bank debt at a substantial discount.

I believe that mandated solutions are simply not the answer, and I note that Mr Brady has taken the same position. Imposed debt forgiveness would seriously retard the countries' return to the marketplace. Commercial banks, once losses were imposed on them rather than contracted on a voluntary basis, would probably stop or severely curtail lending to the countries in question – including vital short-term lines to support trade. Many developing countries would have to rely exclusively on capital flows from official sources. This would severely limit their growth.

Although some observers feel that the various parties have performed acceptably overall, to date, I believe that all of us must do more.

The restructuring countries must continue, and in some cases step up, their economic reform efforts, especially to encourage more investment, both through local savings and the return of flight capital, along with foreign investment.

Economic reform is the prerequisite for the stable, sustained growth that ultimately is the only way for the countries to bring themselves, one by one, out of the debt crisis.

Creditor banks must continue to provide new money where needed, and, on a voluntary basis, to accelerate debt reduction, as called for in the Brady initiative, along with finding additional ways to speed negotiations.

Creditor governments through the Paris Club should be more flexible in their own negotiations with the borrowers, and some export-development agencies should restore credit more rapidly to countries making progress in structural reform.

Among the multilateral institutions, the Inter-American Development Bank has been hampered over the past few years by disagreement among its shareholder countries. I hope it can now respond to the energetic leadership of Enrique Iglesias so that this important institution can again become a significant player. In addition, the World Bank should be more willing to enter into co-financing programs with commercial banks.

As we move ahead, creditor governments, the multilaterals and the commercial banks must find additional ways to help developing countries which are making efforts to restructure their economies. I believe that the combination of new money, where needed, and accelerated debt reduction on a voluntary basis, is the most promising way to bring some of the countries back to the private capital markets. That is our major challenge.

The author is chairman of the restructuring committee at Citicorp/Citibank, and heads the bank advisory committees for Mexico, Brazil and Argentina.

LETTERS

Two-tier boards

From Mr Edgar Palamountain.

Sir, Conflicts of interest between management and shareholders, always latent, probably become most acute in the circumstances of a resisted take-over bid – both in the predator and in the target company.

Mr R.H. Grierson (March 28) has most usefully drawn attention to their significance in management buy-outs.

One of the safeguards which he proposes calls for the temporary transfer of all corporate power to the independent directors.

This proposal seems quite *reasonable, but its acceptance* would inevitably call once more into question the legal doctrine that all directors are equally responsible to the company and therefore to its shareholders.

It would surely be more sensible to recognise that independent directors alone can assume this responsibility to the fullest extent and to give them the powers which such a position would require.

I become increasingly convinced that this could only be done by way of a two-tier board structure.

It is highly regrettable that proposals on these lines are widely opposed because, following the report of the Bullock Committee, they are erro*neously thought to entail* trade union representation on company boards. This heresy should be ignored and the merits of the case re-examined.

Edgar Palamountain,
Chairman, Wider Share Ownership Council,
Juxon House,
94 St Paul's Churchyard, EC4

Soviet voters

From Miss M. Watchorn.

Sir, Mr Gossage (Letters, April 8) would understand the Soviet electoral system better if he had read John Lloyd's article (April 6) on its follow-up. It is intended to bring in wide participation. That is democracy. True representation reflects evolution.

M. Watchorn,
58 Priory Road,
West Bridgford,
Nottingham

'This drift from reasoned debate'

From Mr William Wallace.

Sir, Do many other of your readers share my increasing sense of bewilderment at the unreality, even irrationality, of the current economic and political debate in Britain? Let me offer a few examples, taken mainly from your pages over the past few weeks.

Sir James Goldsmith carries the day, in a debate organised by the *Association of Corporate* Treasurers at the Bank of England, on the argument that the threat of hostile takeovers is the only way to keep companies efficient (March 21). His argument relies overwhelmingly on US evidence, and apparently says nothing about the successful counter-examples of Japan, Switzerland and *Germany, where hostile take*overs are largely unknown.

Was his audience convinced that the successes of the UK and US economies were models for the world to follow? Were those present unaware of the accumulated evidence of Anglo-Saxon shortcomings in technological innovation and in training, in comparison with our strongest competitors?

Or take the UK national health service. Michael Prowse repeats the familiar figures on the remarkable cost-effectiveness of the NHS, in comparison with the American, or the French, or even the German (March 22). The wastefulness of the US system is the most striking; the US Administration spends almost as large a pro*portion of its GNP on public* health provision as the British, to benefit (through Medicare and veterans' programmes) only part of its population, leaving the rest to pay the "private taxation" of essential health insurance.

Yet the British Government is determined to introduce American practices into Britain – in the face of all the evidence, and in spite of the additional costs of any major reorganisation.

Or take the determined drive to privatise water and electricity. An expensive advertising campaign tells us how good our water provision is – at the same time that Mr Nicholas Ridley, the Environment Secretary, is explaining that it won't be any good unless it is transferred to the private sector. Mrs Thatcher calls on the French example to demonstrate how much better privatised water systems can be; carefully omitting to make a similar comparison in the case of electricity, where the French public utility has provided cheap power and extensive investment in nuclear generation which should have attracted the Prime Minister's approval.

But arguments over privatisation seem to have passed far beyond the rational examination of comparative advantage, costs, and benefits, into realms of ideology where logic and consistency have dropped away.

Or take the whole treatment of local government, which follows a trend which would appear to point to its eventual abolition. You reported (March 13) that implementation of Griffiths Report on community *care is blocked by the "political unacceptability"* to ministers of its recommendations that local authorities should be given a wider role; while Mr Kenneth Clarke, the Health Minister, searches for some Government-appointed alternative, disregarding the administrative logic of the arguments presented.

All this – and more – without effective challenge or scrutiny within Government or in Parliament: the constructively critical role played by the non-executive director on the boards of private companies does not seem to exist within the current British political system.

British business ought surely to be concerned about *this drift away from reasoned* debate into myth and ideological assertion.

But there is a more direct motive for corporate concern, in the Government's apparent belief that it can look to business to take over an increasing share of the provision and management of public goods: spending company profits on city technological colleges and arts sponsorship, devoting managerial time and attention to running the appointed bodies which are taking over the functions of local government.

"Good corporate citizens" (as distinct from more single-minded capitalists) who respond to government urgings by shouldering these extra tasks will bear the costs, in terms of money not spent on investment or dividends and attention diverted from the core interests of their companies.

William Wallace,
49 St James's Drive, SW17

Site for sore Scots

From Mr David Jack.

Sir, Mr Bastian (Letters, April 7) supports land tax. Here in Scotland, in the middle of the poll tax débâcle, I recall earlier suggestions for a reform of all property rating around the concept of site value rating. Like land tax – difficult to avoid, efficient in effect, cheap *to administer, predictable yield* – it looks elegant.

City centre sites would pay high rates, reflective of the economic benefit of the location and the costs of local services to the site. Elsewhere lower rates would prevail, but all owners would contribute to the maintenance of a strong local revenue base necessary for pro*viding the infrastructure* essential to the local economy.

David Jack,
25 Braid Mount,
Edinburgh, Scotland.

View from the border

From Mr John Pringle.

Sir, I was much amused to read Sir Charles Fergusson's views (Letters, April 7) on the Scottish devolution issue.

Many of us in Scotland had imagined that his particular form of paternalism was a thing of the past. But it seems to be alive and well and living in Ayrshire. How fortunate we are that our landed gentry *"know" what "ordinary"* people talk about and regard as priority.

As a Scot who has recently returned home after more than 25 years south of the border, I can assure Sir Charles that it would be a mistake to assume that all exiles share his views. In any case, it is refreshing to learn that he believes that a vote of only 32.9 per cent, with the runner-up coming two percentage points behind, does not amount to a mandate; presumably he takes the same view of general election results.

Here in Scotland we are used to reading nonsense about self-determination written by opponents of devolution. If newspapers in England repeat it, there is a danger that it may be taken as representing the views of most Scots.

John Pringle,
2 Johnsburn Green,
Balerno,
Midlothian,
Scotland

FINANCIAL TIMES
Wednesday April 12 1989

Abbey National members vote for flotation

ABBEY NATIONAL, the second-largest UK building society, yesterday gained the overwhelming support of its members to become the first to change status and seek a stock market flotation, writes David Barchard in London.

The plans for flotation, now likely in July when Abbey will seek to raise between £900m and £1bn ($1.5bn-$1.7bn), were backed by a majority of nearly nine to one of those voting.

Of the 5.5m members eligible to vote, 3.1m or 62 per cent took part in the poll, with 89 per cent of the savers and 90 per cent of the borrowers voting in favour of the flotation.

The unexpectedly large majority for change – described by Sir Campbell Adamson, Abbey chairman, as astounding – is bound to provide strong encouragement for other building societies contemplating shedding mutual status.

The Building Societies Act requires conversion of a building society from a mutual body, owned by its savers and borrowers, into a limited company, to be approved in a ballot in which at least 20 per cent of members vote, with 75 per cent in favour.

For Abbey, the next step on the path to flotation will be a confirmation hearing by the Building Societies Commission, the industry's watchdog, on May 17.

Its role will be mainly confined to reviewing the conduct of the ballot, although it can block conversion from mutual status if it thinks the society's board has behaved improperly or one-sidedly at any point.

The vote yesterday came after a two-hour special meeting of Abbey National members at Wembley Arena sports hall, north-west London, where the mood was generally hostile to the board's plans.

However, only 975 members braved the bad weather to attend.

Abbey National had made arrangements to accommodate a crowd of more than 30,000. The meeting cost it about £700,000.

So far Abbey National has spent £35m on the flotation, including £5m on advertising alone. It plans to spend another £45m, mostly on underwriting fees, over the next 2½ months.

None of the speakers from the floor was in favour of the flotation. Abbey National revealed after the meeting that there had been only one pro-flotation questioner in the entire series of meetings the society had organised on the issue since January.

Many of those who spoke at the meeting accused the board of supporting the flotation in order to enrich themselves through share options.

"This is primarily a benefit match for you and the board: a real bonanza," one speaker told Sir Campbell.

The society's annual report published immediately after the meeting revealed that Sir Campbell last year received a 50 per cent salary increase, taking his earnings from £41,000 to £64,700.

Members opposing the flotation said after the meeting they were disappointed by the size of the majority but they would still appeal to the Building Societies Commission to use its powers to stop the float.

Observer, Page 20; Lex, Page 22

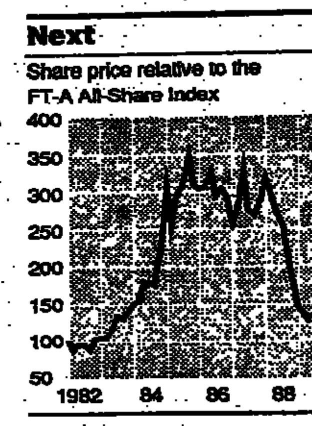
THE LEX COLUMN

Mass worship at the Abbey

There was never much chance that Abbey National would fall at its bid to turn itself into a bank, but the sheer number of members who voted in favour is staggering. It is a vote of confidence which will gladden the hearts of the City advisers who have been trying to persuade less adventurous building societies to follow Abbey's example. All they need do is match the Abbey's £160 bribe of free shares per person,and opposition will melt away.

Whereas a few months ago it seemed that the Abbey might be a lone pioneer, the opposition has been tested and found wanting. This should encourage at least two more of the UK's top 10 societies to come to the market, and there is always an outside possibility that the Halifax, which towers over the clearing banks in terms of its customer base, might eventually follow suit. In the short term, this is all good news for customers of the UK financial services industry, since the extra capital being raised is likely to put further pressure on margins.

However, the Abbey has failed to answer the longer-term question of whether it makes commercial sense to convert, and whether it is worth risking the loss of financial discipline imposed by mutual status. Of course, with £1bn under its belt it will be able to go out and buy an insurance company – a must, surely – and a unit trust would fit nicely into its portfolio. But a good part of its capital will go towards meeting the more stringent capital ratios required of banks,and it has committed itself to paying a hefty dividend. It is far from clear that the Abbey will be able to grow much faster than its competitors, unless it adopts that unfortunate clearing bank habit of asking its shareholders for extra capital with monotonous regularity.



MB/Carnaud

Greenmall, it seems, has finally made it to the UK, courtesy of Mr John Elliott. In contriving to extract a fee of apparently close on £20m for his nuisance value in the MB/Carnaud deal, Mr Elliott has taken advantage of a highly unusual set of circumstances. But as with his celebrated raid on Scottish & Newcastle, there is an impression of ill-judged cleverness. He may have difficulty henceforth in presenting himself as a serious corporate raider in the UK; and for a man who talks much of 1992, he can have done little to endear himself to the business establishment in France.

The fact that CGIP has bought Elders' MB shares at 330p – 54p above the market – does not seem at odds with UK takeover rules; in form, if not in substance, MB was never bid for. But for CGIP to pay more than 40p above the market for MB warrants, MB having made a general offer for them, seems allowable only on the grounds that CGIP was acting quite independently of MB, despite having effective control of Carnaud. That apart, the merger now looks likely to go ahead – unless, that is, the judge still sees fit to throw out the whole deal, despite the removal of Elders' opposition.

Next

There was no helicopter joy-ride or display of corporate panache to go with Next's results yesterday. The new chief executive believes in opening the books, and putting the line management on display instead. Such candour must have taken nerve, given how discouraging the story, but the 3p rise in the share price yesterday showed it working.

In fact, the market was surprisingly broad-minded about some pretty innovative accounting: the accelerated depreciation treated as exceptional, and the ragbag of closure costs as extraordinary. It was also indifferent to the ever-rising cost of last year's postal strike, which seems to go up every time it is mentioned, and ignored the rise in gearing towards 50 per cent. Unless something spectacular goes wrong, the automatic recovery from Home Shopping – now by far the biggest part of the group – will mean some advance this year. But to look for any big recovery would be quite wrong. Profits from Next retail can only fall further, caught between rising costs and static sales, and the prospects for all the other little bits are drab at best.

None of this is to doubt the new team, which is swiftly giving Next a corporate structure suited to a major company, and is doing its best with costs. Even if they wanted to, others are unlikely to do better: the shares deserve neither a bid premium nor the market rating which they still enjoy. Still, a yield of about 7 per cent is quite something, and falling further disasters, not likely to be under threat either.

Mrs Fields

While Next responds to its bundle of troubles in the prescribed way, Mrs Fields does the reverse. Never mind firefighting, cost-cutting, management reshuffles and steady dividends; Mrs Fields has kicked the dividend habit altogether, and started out on a brand new business tack. Maybe its long-term approach will prove the right thing for the company in the end – the bakery market is big and fragmented, and the Mrs Fields name will be a start. But there is no reason why shareholders should feel anything but dismayed at the initial cost of some $36m to support a move into little-known territory. The real problem is that Mrs Fields should never have gone public in the first place. There is a place for entrepreneurial, single-product US companies, showing more growth than management depth, and with much optimism but little flair for communication. That place is not the London stock market.

Taylor Woodrow

Reading Taylor Woodrow's 1988 results is a bit like examining the defence document that never was. A one-third rise in property values, and a 63 per cent jump in the dividend, are reminders of the sort of value locked up in this conservative company. The figures might have been this good in any case, but P&O's brief sojourn on its share register has focused the stock market's mind, if not the management's, on Taylor Woodrow's hidden riches. Less elimination in contracting should ensure another year of above-average growth this year, but future growth is bound to look fairly lacklustre compared with 1988.

Iraq ventures back on to the Arab stage

Andrew Gowers examines post-war Baghdad's attempts to reassert its influence

IF MRS Margaret Thatcher were to show up tomorrow in Paris and sign a non-aggression pact with President François Mitterrand, people might think it more than a little odd, even alarming.

That, in the context of the Gulf, was roughly the effect of a visit to Baghdad last month by King Fahd of Saudi Arabia, during which he and President Saddam Hussein signed two agreements ruling out the use of force and bolstering security co-operation.

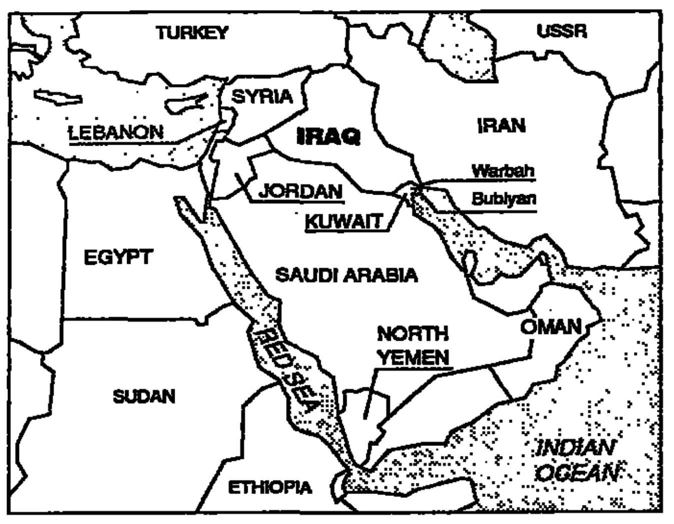
Why. Western and Arab observers immediately started asking themselves, should such accords have been necessary? Saudi Arabia and Iraq are, after all, both members of the Arab League whose charter explicitly rules out interference in fellow-members' affairs. What is more, Riyadh and Baghdad have been bound together for the past 8½ years by Saudi support for Iraq during the Gulf war with Iran.

Such speculation says much about the changes in regional politics since the ceasefire last summer. From Iraq's nervous Arab neighbours to further-flung Western powers, everyone is watching to see what role Baghdad envisages for itself in the post-war era.

Nobody disputes that Iraq will be an important player in the next few years. After a trial the like of which has been faced by no other modern Arab leader, President Saddam has emerged with greatly enhanced prestige and probably the most powerful Arab army. King Fahd's was the latest and most important of a near-constant stream of congratulatory visits the Iraqi leader has received in recent months.

President Saddam has also begun to project himself abroad in a way he could not while he was overwhelmingly preoccupied with the Iranian threat. In this swiftly developing diplomatic activity, two strands point the way forward.

First, he appears to be trying to woo the West by adopting the forms (although not the substance) of democracy and attempting to modify Iraq's negative image in the outside world. Although Baghdad remains vitally dependent on Soviet weaponry, it has long been uncomfortable with Moscow as an ally. President



Saddam knows that US logistical support helped him to fend off Iran, and he now wants access to Western technology, including military knowhow.

In this effort, Iraq has been helped by the lurch towards extremism in Tehran following the Salman Rushdie affair. After assiduously courting the Iranians in the second half of last year, Western foreign ministries have now tilted back towards Baghdad.

Second, President Saddam has ventured back on to the Arab stage, paying an unannounced visit to Cairo and presiding over the formation in February of the Arab Co-operation Council (ACC) at a meeting with the leaders of Jordan, Egypt and North Yemen in Baghdad.

It is the latter development that has set off alarm bells in some other Arab capitals – and not only in Damascus, seat of Saddam's mortal foe, Syrian President Hafez al-Assad, who is already rattled by Iraq's open meddling in Lebanon.

Each member undoubtedly has its own reasons for joining the ACC, the idea for which was first put forward by Jordan's King Hussein. But few outsiders believe the insistent statements by all four participating countries that its primary purpose is economic. Instead, it is widely seen elsewhere in the Arab world as a forum for the reassertion of Iraqi political influence – albeit under the moderating auspices of Jordan and Egypt.

Iraq has already made clear that security issues will be high on its agenda. It wants all members to sign bilateral or collective non-aggression pacts similar to that reached with Saudi Arabia.

"I have no doubt that Saddam Hussein's vision of Iraq's position in the world is as *the* leading Arab country," said one Western ambassador. "The ACC is a vehicle for his re-entry into Middle Eastern politics."

What is not clear is whether Iraq regards these non-aggression pacts as a way of soothing the concerns of other Arab countries, or as an implied threat to force concessions from them. Iraqi officials insist they are the former: "We are being very practical in trying to address these old concerns rather than ignoring them," said Mr Nizar Hamdoon, Iraq's former ambassador to Washington and Foreign Ministry Under-Secretary. But the suspicions persist.

Saudi Arabia was almost bound to be irritated by the re-emergence of such a powerful rival. Riyadh well knows that Iraq – with oil reserves second only to its own – could threaten its pre-eminence in the Organisation of Petroleum Exporting Countries.

Moreover, Saudi Arabia and the other Arab Gulf states still harbour vivid memories of then-radical Iraq's subversive activities throughout the Arabian peninsula during the 1970s: the underground Baath party organisations it maintained and its support for a secessionist rebellion in southern Oman.

In the case of Kuwait, fears have been exacerbated by a continuing border dispute (see accompanying article). But for Saudi Arabia, the ACC's involvement of North Yemen – a country it regards as its own back yard – was the final straw.

"The idea of the upstart North Yemen daring to sign a pact with the two countries (Iraq and Egypt) which tried most actively to take it over in the past was a political humiliation for the Saudis," said a Western diplomat. Hence King Fahd's visit last month, and the signing of the non-interference agreements – designed to reassure him that the ACC was not aimed at encircling or subverting the kingdom.

The soothing noises from Baghdad may be sincere. There are, after all, serious constraints on Iraq's ability to project its power: it is virtually landlocked and it will probably need Arab and Western friends in the future to help it contend with a revived Iran.

The regime has certainly shed much of the ideological baggage it carried during the 1970s. Some Western and Arab diplomats believe President Saddam has emerged seasoned from the war, and is now merely attempting to regain for Iraq the place in the region it deserves by virtue of its size, wealth and population.

But even that idea makes the states of the Arabian peninsula feel uncomfortable. In the words of a diplomat who knows the country well: "I think the Gulf states have every reason to be frightened of Iraq."

Kuwaitis tread Gulf tightrope

JUST when they thought their immediate vicinity was becoming a safer place, the Kuwaitis are having to tread ever more carefully in their relations with powerful neighbours.

This time, the area of special sensitivity lies not with Iran, but with Iraq, which Kuwait steadfastly supported during the Gulf war. Old and highly delicate issues – including the Iraqi-Kuwaiti border and Iraqi supplies of water to Kuwait – are being resurrected.

Speculation about their relations has been rife since February, when Sheikh Saad al-Abdullah al-Salem al-Sabah, the Kuwaiti Crown Prince, paid an unusually long visit to Baghdad. President Saddam Hussein is said to have pressed him continuously to discuss the border, three miles of which remain in dispute, and in particular an Iraqi demand for access to the Kuwaiti islands of Bubiyan and Warba.

Iraq's concern is the security of navigation to its Gulf port of Umm al-Qasr, which they say would be greatly enhanced if the Iraqis were allowed their own facilities on Bubiyan island.

But for Kuwait, such an idea touches raw nerves. Iraq has never renounced a historical claim to parts of Kuwait, including the islands, and has been told firmly that the subject is not for discussion.

For this reason, many observers were surprised last month when the two countries suddenly announced an agreement for Iraq to supply Kuwait with drinking and irrigation water, a possible sign of progress on other issues.

However, lest Kuwaitis should forget who is the dominant partner, Iraqi troops have made at least one illegal incursion into their territory since the Gulf ceasefire last summer just after Kuwait had reopened relations with Iran. The move was seen as a none-too-subtle hint that Big Brother in Baghdad was watching.

Europe agrees telecoms future

By Hugo Dixon in London

TELECOMMUNICATIONS operators from 18 European countries have agreed a united approach to the next generation of telecoms services.

The services, called Integrated Services Digital Network (ISDN), are based on the computerised telephone exchanges being introduced across Europe. They will lead to faster and clearer communications and allow data, voice and pictures to be sent down a single telephone line.

The agreement should mean that Europe's telecommunications networks are modernised in a compatible way, allowing companies to communicate more effectively across international borders. It should also result in a single market for ISDN terminals, avoiding the problem of a fragmented market that has prevented manufacturers achieving economies of scale in other telecommunications markets.

Under a memorandum of understanding signed last week by the 18 countries, which include the major Western European states, ISDN services with common standards will be introduced by 1992.

These will include high-capacity digital telephone lines capable of sending data, facsimiles and other traffic many times quicker than the present networks. The telecommunications system will also be able to tell customers the numbers of the people calling them.

Further so-called clever services will be introduced throughout Europe when demand for them develops. These include conference calls, the ability to divert calls to other phones and the completion of calls to busy numbers.

Although some European countries have started introducing the services according to internationally agreed standards, these are not completely compatible because the standards are not tightly defined. The memorandum is designed to commit Europe to clearly-defined specifications, while keeping within the wider international agreements.

The ISDN agreement is the latest move by the European telecommunications operators to co-ordinate their plans in advance of the creation of the single European Community market of 1992.

Some analysts have questioned whether customers want ISDN services, given that they will almost certainly cost more than the traditional phone service.

Takeshita refuses to quit

Continued from Page 1

Takeshita said he "could not guess." He had never talked about political issues with Mr Hiromasa Ezoe, the former chairman of Recruit, and the man in charge of the group's political donations.

Perhaps the most damaging moment came when Mr Kanji Kawasaki, a Japan Socialist Party member, rose and quoted Mr Takeshita's categorical claim in the Diet last October 20 that he had never received any donations from Recruit. Television stations then re-broadcast videotape showing the Prime Minister's denial.

Mr Kawasaki, bristling with indignation, said the Prime Minister was unfit to remain in office and should resign immediately. Mr Takeshita could only reply that his memory at the time had been "vague."

Most analysts gave Mr Takeshita low marks for his performance. "His senses are so dull that he does not even consider what has happened abnormal," one said last night.

Following Mr Takeshita's appearance, LDP leaders sought to resume debate on the budget, but Opposition leaders refused, repeating their demand that the LDP summon Mr Nakasone to the committee to explain his role in the Recruit affair. The LDP refused, but the pressure from within the party on the former Prime Minister to provide some explanation will undoubtedly increase following Mr Takeshita's appearance.

The budget must be passed by the lower house of the Diet by April 21 if the Government is to be able to continue paying its bills. Failure would indicate that the Cabinet could no longer govern.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		-	-	Dubrovnik	C	20	68	Malta	C	18	64	Rhodes	S	22	72
Algiers	F	18	64	Edinburgh	R	8	46	Manchester	R	9	48	Rio de J'o	F	35	95
Amsterdam	F	13	55	Faro	C	18	64	Manila	F	34	93	Rome	F	20	68
Athens	S	21	70	Florence	F	22	72	Melbourne	F	20	68	Salzburg	C	15	59
Bahrain	S	29	84	Frankfurt	F	16	61	Mexico City	C	27	81	San Francisco		-	-
Bangkok	F	35	95	Funchal	F	19	66	Miami	F	22	72	Seoul	S	15	59
Barcelona	S	20	68	Geneva	S	15	59	Milan	C	18	64	Singapore		-	-
Beirut		-	-	Gibraltar	F	17	63	Montreal	S	-3	27	Stockholm	F	10	50
Belfast	R	6	43	Glasgow	R	8	46	Moscow	S	16	61	Strasbourg	F	17	63
Belgrade	S	25	77	Guernsey	R	10	50	Munich	S	18	64	Sydney	F	24	75
Berlin	C	17	63	Helsinki	F	3	37	Nairobi	F	23	73	Taipei	F	22	72
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Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Soviets set ambitious farming targets

Continued from Page 1

the governments of the individual republics, and the regional and district councils. From this year, these will be – like the all-union parliament – subject to competitive election, and thus to the push and pull of consumer dissatisfaction. In that sense, the decree seeks to democratise agriculture as well as liberalise it.

The provisions on pricing appear somewhat contradictory. On one hand, state wholesale and retail pricing will remain for the time being on a range of staple goods, with the explicit aim of "maintaining social protection": these goods include bread, butter, eggs, meat, fish, sugar, tea and wine. On the other hand, the sellers (farms) and buyers (refining plants) are encouraged to negotiate prices.

In the named cases of two commodities – potatoes and grapes – together with unnamed "other fruits," prices will be allowed to be set by agreement between buyer and seller from 1990 onwards.

Each republic has been told to increase production and satisfy its own demand as far as possible – although the central state will still place state orders for that portion of products which must be allocated to those states which lack production of, for example, grain or meat products.

The reform clearly depends on a response from below – from peasant farmers who actually want some independence and think they can profit by it – while it retains many of the features of the old command system, specifically price subsidies.

FINANCIAL TIMES
COMPANIES & MARKETS
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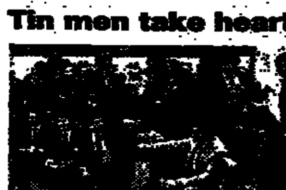
INSIDE

Old Macdonald had too much waste

Cows do it. Pigs do it. And chickens do it. The problem for farmers is where to put it once it's been done. For them, dung and other effluents are becoming a growing cause of concern, particularly with the prospect of tougher controls on farm pollution. A proposal now with the EC Council on nitrate control would establish protection zones and Britain's new Water Bill, which by the year's end will result in the privatisation of water supplies, will include powers to set up such areas. Page 42

Tin men take heart



It looks like being a big day for tin, for two reasons. Firstly, the London Metal Exchange, baring any last-minute hitch, will give the go-ahead for its tin contract to be re-started, probably on June 1. And at the same time another important step is likely to be taken towards an out-of-court agreement between creditors and the International Tin Council which collapsed in October, 1985, with debts totalling more than £900m. That collapse had a worldwide impact but the brunt was borne by the LME. Page 42

Bank of England sticks to its gilt-covered guns

Last week's announcement by the Bank of England that it intends to hold two, and possibly more, reverse auctions for gilt-edged securities effectively lays to rest hope that the Government might embark on a radical public rationalisation of the market in the foreseeable future. Simon Holberton looks at the attitudes, official and otherwise, to the gilts buy-back programme. Page 29

The future to back

Biotechnology could greatly affect the chemicals industry over the next 10 years by making possible new products or improving factory processes. At Imperial Chemical Industries, Britain's biggest chemicals company, the job of integrating new biotechnology ideas into existing operations has been given to John Russell. Peter Marsh talks to the man whose free-wheeling style is more akin to that likely to be found in a small start-up company than within a group with turnover of £12bn a year. Page 34

Norsemen keep the initiative

Scandinavia forged ahead again in the first three months of this year, putting in the best performance among global stock markets for the second quarter running. In spite of strong showings by the UK and US, the overall World Index was held in check by a more cautious Japanese market. Currency factors were important, with dollar investors losing out and sterling investors enjoying a particularly good quarter, as Alison Maitland reports. Page 54

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				Rises			
Bayer. Versbk.	290	+	11	Bancaire	607	+	39
Deut. Babcock	178	+	5.5	Bell Equip.	335	+	18
Karstadt	475	+	15	G. Lafayette	1245	+	79
Veba	287.5	+	8.5	[illegible]	570	+	29
Falls				Falls			
RWE	266	−	8.5	Crédit de France	4180	−	120
NEW YORK ($)				**TOKYO (Yen)**			
Rises				Rises			
CBS	183⅞	+	1⅝	[illegible]	985	+	100
[illegible]	[illegible]	+	[illegible]	Toho Titanium	2830	+	320
Tidewater	10⅞	+	[illegible]	Towa Real Est.	1200	+	110
Prime Computer	19⅞	+	1⅛	Falls			
Falls				[illegible]	735	−	45
[illegible]	33⅛	−	1	S & B Shokuhin	990	−	60
Intl. Tech.	[illegible]	−	[illegible]	Shiseido	976	−	22
LONDON (Pence)							
Rises				Wellcome	497½	+	11
Allied-Lyons	444	+	7	Falls			
Beresford Int.	156	+	5	Body Shop	483	−	15
[illegible]	276	+	9	Early's Witney	141	−	11
Coloroll	295	+	9	Meyer Intl.	427	−	10
[illegible]	44	+	11	Morgan Grenfell	274	−	4
Enterprise Oil	515	+	11	Strong & Fisher	231	−	10
Ladbroke	532	+	5	Sun Alliance	1116	−	5
Pittard Garnar	278	+	47	VPI Grp.	161	−	13
Polly Peck	322	+	5	Wardle Storeys	400	−	12
Reuters 'B'	707	+	21	[illegible]	250	−	9
Saatchi	294	+	19				
Traf. House	372½	+	9½				

A man of his word, and that of La Repubblica

John Wyles reports on the widening influence of Carlo De Benedetti in Italian publishing

THE FACES were uniformly glum as they strolled yesterday afternoon into the shabby offices in Rome's Piazza Independenza, a symbolically appropriate address for arguably the most important phenomenon in Italian journalism of the last 13 years.

Instead of producing today's edition of the country's most discussed newspaper, La Repubblica, the journalists were meeting to protest at what many regard as the passing of an era.

Having long prided themselves on working for Italy's only national newspaper independent of any political party and industrial interest, the journalists learned on Monday that La Repubblica, along with the L'Espresso publishing group, is to pass into the hands of Arnaldo Mondadori Editori, which is not only Italy's largest publishing house but is also controlled by that most tireless financier and industrialist, Mr Carlo De Benedetti.

The deal confirms the solidity of the current mould of Italian newspaper ownership by diversified industrial groups, as well as the strength of the winds blowing from abroad in the direction of grandiose publishing groups seeking to hitch the printed word to an electronic market.

Henceforward, the conventional wisdom will be that the idea of a few like-minded entrepreneurial journalists gathered together around desk-top computers to print news without fear or favour is about as old fashioned as a manual wine press.

Even at La Repubblica, the reality has been less romantic. Mr Eugenio Scalfari was one of the founders of L'Espresso magazine and associated publishing group in 1955. The first controlling shareholder was Mr Adriano Olivetti (of typewriter fame) who subsequently gave way to Prince Carlo Caracciolo, Mr Giovanni Agnelli's blue-blooded brother-in-law. He and Mr Scalfari launched La Repubblica in 1976 in a 50-50 venture with Mondadori, with Mr Scalfari enjoying a casting vote to guarantee the newspaper's independence.

Since then, the grey-bearded patriarch of Italian journalism has established an unparalleled role for himself and his newspaper. Though a man of the centre-left, Mr Scalfari has been so relentless a scourge of the ultimate silliness, corruption and inconsistency of Italian politics that he is widely regarded as a 15th political party.

His newspaper introduced new "popular" techniques in writing, presentation and layout which swiftly established it as the prime challenger to Milan's Corriere della Sera. It captured the top slot sometime in late 1986 with sales approaching 700,000. But Corriere now looks to be winning the bloody sales battle.

While both papers have brought out glossy, loss-making magazines over the past year, Corriere, as part of Rizzoli Corriere della Sera (RCS), has deeper pockets. The inexorable trend towards large multi-media groups was one reason Mr Scalfari gave to his journalists for his and Cacommuraccilo's decision to sell their combined 51 per cent stake in L'Espresso to Mondadori.

Mr De Benedetti, whose holding company, Cir, already holds 18 per cent of L'Espresso, only wrested clear control of Mondadori last spring.

Together they will have a combined 11 per cent of the total Italian advertising market compared to 9.8 per cent held by their main domestic rival, RCS. The new group will control Italy's two leading weekly news magazines, L'Espresso and Panorama, as well as a dozen provincial papers and a book publishing business.

The purchase places the former managing director of Fiat in a position he relishes: competing head on with the Agnelli group, which controls RCS through its Gemina holding company and is outright owner of Italy's third best-selling national, La Stampa.

Mr De Benedetti says he is no defender of the fact that Italy's newspaper industry is in the hands of a few industrialists – in a recent interview with the Financial Times he described the phenomenon as one of the "mafioso" sides to Italian life – but he will not object to being a member of this élite group.

Cir has said that there will be no editorial interference at La Repubblica, but readers will take this with a pinch of salt. The cases of direct interference by Fiat in its two newspapers, or by Mr Raul Gardini in his two (Il Messagero and Italia Oggi), may be so rare as to be non-existent, but Italian journalists have a developed sense of their proprietors' interests which generally translates, at best, into an uncritical coverage of their business activities.

One factor which may have spurred Mr De Benedetti into purchasing L'Espresso now is the knowledge that the deal may strengthen his position in any final showdown with Mr Gardini.

The latter currently holds 8.2 per cent of the Amef holding company which controls fractionally more than 50 per cent of Mondadori, and he has reportedly agreed to buy the 24 per cent of Amef held by Mr Leonardo Mondadori at the end of next year.

Mr De Benedetti has 28 per cent of the holding company and 33.3 per cent of Mondadori direct, and in currently determining the company's strategy he is keeping Mr Gardini at arm's length. The Ferruzzi president also has a foot, worth 21 per cent, in the rival RCS camp.

Meanwhile, journalists at La Repubblica will be seeking guarantees that their new proprietor's restless ambition does not embrace editorial policy. Mr Scalfari's presence for as long as it lasts is an important guarantee. Mr De Benedetti believes his word is another.

Goldsmith sells Grand Union in $1.2bn deal

By **James Buchan** in New York

SIR JAMES Goldsmith, the Anglo-French financier who now lives in Mexico most of the time, is selling the Grand Union supermarket group in the US in a transaction worth $1.2bn.

The deal, which should be completed next month, is the latest stage in Sir James's retreat from the North American market where he was active and highly successful in takeovers in the early and mid-1980s.

Grand Union, a 300-strong chain of supermarkets largely in the north-eastern US, is being sold to its management and a Wall Street group consisting of Miller Tabak Hirsch, an investment firm, and Salomon Brothers. Grand Union has large debts and Sir James and any other shareholders will receive only a share of the $1.2bn purchase money.

The deal brings to prominence Mr Gary Hirsch, a 38-year-old former accountant, who has built a thriving supermarket business in the north-east by buying up grocery chains with finance and advice from Salomon. It is also the second time in two months that Salomon, a firm once renowned for quicksilver bond trading, has invested its capital in a long-term business deal.

Grand Union, which is expected to have annual sales this year of $3bn, was founded in 1872 and was bought by Sir James in the early 1970s. It operates 306 supermarkets in seven north-eastern states and Georgia under the names Grand Union and Big Star. The company has about $150m in profits before depreciation, tax and interest, according to Salomon.

Under the deal, which was approved by Sir James on Monday, Mr Hirsch and his associates and Salomon will each pay more than $30m, with Grand Union's existing management, under Mr Joseph McCaig, president, stumping up $15m. The buyers will also refinance some $545m in the chain's bank loans, assume about $275m in existing junk bonds and preferred stock and issue $325m in new junk bonds.

To get the deal moving until the loans can be refinanced and the junk bonds underwritten, Salomon is putting up $870m in bridging finance.

For Mr Hirsch, the deal will double the size of his operation overnight. Since 1987, he has acquired three sets of grocery chains operating in New York, Pennsylvania and Ohio and operates them through the Penn Traffic company. The company, which was taken public by Salomon last year, has about $3bn in sales.

Three weeks ago, Salomon teamed up with Mr Don Kelly, a well-known Chicago businessman, to buy Envirodyne, a local food-packaging company, with about $100m in equity. The strategy of tying up large amounts of banking capital in single deals - known confusingly in the US as "merchant banking" - is controversial at Salomon but is backed by Mr John Gutfreund, chairman. Mr Gordon Burns, a managing director at Salomon, said: "In both deals, we've found a good partner to work with."

Sir James, who is said to be friendly with Mr Gutfreund, has cut back his US operations since a spate of raids in the early and mid-1980s on such companies as Diamond International, St. Regis, Continental, Crown Zellerbach and Goodyear.

Sir James retains more than 1m acres of timberland left over from the Diamond and Crown Zellerbach deals.

But last month, he complained that prices were too high in the US takeover market and that he was more interested in Europe.

Liquidator appointed to Spedley group

By **Chris Sherwell** in Sydney and **Stephen Fidler** in London

A PROVISIONAL liquidator was appointed yesterday for the Spedley group, an Australian finance house controlled by entrepreneur Mr Brian Yuill.

Spedley owns Kirkland-Whittaker (London), a foreign exchange and deposit broker. A year ago Spedley also took a stake of some 15 per cent in Parrish, a quoted UK stockbroker which has remained burdened by losses since the 1987 crash. Kirkland is outside the circle of major brokers but is regarded as strong in some areas.

It is the third such collapse Australia has seen in recent months, following the demise of Mr Laurie Connell's Rothwells and Mr Allan Hawkins's Equiticorp groups.

It is expected to bring under the spotlight Mr Yuill's financial dealings both with Mr Connell and with Mr Alan Bond, one of Australia's best-known businessmen.

The Spedley affair also has serious implications for Australian National Industries (ANI), the country's leading heavy engineering concern, which last year took over the Aurora engineering group in the UK.

The liquidator was appointed to Spedley Holdings and Spedley Securities on the request of GPI Leisure, its biggest shareholder. GPI Leisure's own principal shareholder is Greater Pacific Investments (GPI), also part of the Yuill empire, but Sir Ron Brierley's Industrial Equity as well as Bankers Trust Australia also have significant stakes.

Last week GPI Leisure shareholders voted to ratify a controversial A$100m US$80m) preference share investment made in Spedley Holdings. At the same meeting it was revealed that GPI had another A$125m on deposit with Spedley.

ANI's problems spring from its announcement last month of a separate exposure to Spedley of A$194m, consisting of A$27.8m in secured loans and A$165.7m worth of bills of exchange apparently endorsed by other Yuill companies. Until last month ANI also held a 45 per cent stake in Spedley, but sold out to Yuill interests.

Yesterday, when GPI Leisure requested a suspension in its shares, the move caused a nearly 15 per cent slide in ANI's shares to a 1989 low of A$1.16, down from A$1.36. GPI Leisure also announced the resignation of Mr Yuill as managing director.

Mr Yuill's business interests have come under scrutiny recently over the role of Spedley in a deal designed to stave off the Rothwells collapse.

Ueberroth close to Eastern deal

By **Anatole Kaletsky** in New York

NEGOTIATIONS over the future of Eastern Air Lines entered their final stage yesterday, when a tentative agreement was reached on a new labour contract between the company's striking unions and Mr Peter Ueberroth, the former sports and travel industry executive who is proposing to buy the airline for $464m.

Under the deal the three major unions, representing machinists, pilots and flight attendants at Eastern, were said to have agreed to concessions worth about $200m a year to the loss-making airline, which is operating under Chapter 11 of the US bankruptcy code.

In exchange for these "givebacks," Eastern's employees would receive a 30 per cent stake in the restructured airline under Mr Ueberroth's plan.

Mr Ueberroth noted, however, that there was at least one more "bridge to cross" before his rescue could be completed. This involved a complex series of approvals from the bankruptcy court.

Eastern's creditors, whose claims Mr Ueberroth would satisfy in full, were not expected to oppose the plan. But an important question still remained about the management of the airline and control of its assets in the period before the bankruptcy reorganisation could be completed.

Union representatives said they would continue to press the bankruptcy court to appoint a trustee to remove day-to-day control over Eastern's assets from Mr Frank Lorenzo, the company's present chairman.

There were some indications that the unions might even back down from their agreement with Mr Ueberroth if the court left Mr Lorenzo in temporary control.

Assuming the deal with Mr Ueberroth does go ahead, the biggest pay cuts will be suffered, as expected, by the International Association of Machinists. This is the most militant of the three unions and the one which precipitated the company's bankruptcy when it pulled its members out on strike in March, after the failure of more than a year of government-sponsored mediation.

The IAM was understood to have agreed to over $150m worth of annual wage and benefit reductions, equivalent to almost 20 per cent.

The other workers made much smaller concessions.

The pilots and flight attendants agreed to pay cuts of about 20 per cent two years ago, when Eastern was acquired by Mr Lorenzo's Texas Air. The IAM, whose contract still had over a year to run when Texas Air bought Eastern, refused to accept parallel reductions at the time.

UK clears way for leather bids

By **Nikki Tait** in London

BRITAIN'S Monopolies and Mergers Commission yesterday cleared the way for renewed bid activity in the country's complex but much-shrunken leather industry, by ruling that the acquisition of Pittard Garnar by either Hillsdown Holdings or Strong & Fisher would not be against the public interest.

Shares in Pittard – a fairly diversified leather group producing gloving leather, leather from lambskin and sheepskin for clothing, chamois and other uses, and bovine leather for shoes – jumped 47p to 278p on news of the MMC's conclusions. Strong & Fisher eased 10p to 231p.

In the case of the potential acquisition of Pittard by Hillsdown, a larger food, furniture and property company, the Commission reached a unanimous conclusion that the merger would not be against the public interest.

But in the case of the proposed acquisition by Strong, which specialises in the production of upmarket clothing leather, the six members of the inquiry team were divided.

Three had no objection, but three others felt that there could be adverse effects in four areas: the competitiveness of UK clothing leather in overseas markets, bovine tanning, research and development, and employment.

One member was also concerned that the level of gearing - borrowings as a proportion of shareholders' funds - proposed in the Strong bid, could be detrimental.

The majority decision to give a green light to the proposed acquisition by Strong came, therefore, on the casting vote of the inquiry's chairman, Mr David Richards.

Strong, which earlier this week revealed that its stake in Pittard had risen to just under 10 per cent, said that it was very pleased at the result.

However, Mr Richard Strong, managing director, remained cagey about Strong's plans. He said that a quick decision on whether to make a new bid would not necessarily be made quickly.

Hillsdown, similarly pleased by the findings, also said it was reviewing its options.

Pittard, meanwhile, commented that it was disappointed, stressing its belief that the group's potential would be best realised if it remained independent.

It pointed out that the time taken up by the MMC inquiry had given it valuable breathing-space: during this time it has reported a significant recovery from the first-half losses announced in September, one week before Strong's £41m bid.

Details, Page 32

Next ends the year a third down

By Maggie Urry in London

MR DAVID Jones, chief executive of Next, hardly mentioned his predecessor Mr George Davies in presenting the UK retail group's annual results yesterday. Mr Davies, who was also chairman, and his wife Mrs Liz Davies, the group's product director, were sacked at a dramatic late-night board meeting last December.

Everything Mr Jones said seemed aimed at divorcing the company from the man who has been hailed as the architect of the company's former success.

The profit figures, for the year to end-January, were every bit as bad as analysts had feared since Mr Davies warned of significantly lower profits a few days before his sudden dismissal. However, the shares closed 3p higher at 145p.

Pre-tax profits fell nearly a third from £92.4m to £62.3m ($105.3m), after exceptional items of £7.8m relating to written-off development costs and accelerated depreciation. There are no provisions for compensation that may be payable to Mr and Mrs Davies; this is still being discussed.

Mr Jones warned that trading conditions would continue to be difficult because of the pressure on consumer spending. He said sales volumes were flat at present, after rising by 7.1 per cent on a like-for-like basis during the financial year. Costs were rising fast and the group expected shop rents to rise by 15 to 20 per cent in the current year.

He emphasised that Next now had a well-structured management team able to combine its entrepreneurial skills – Mr Davies's perceived strength – with operational and financial controls, which Mr Jones implied had been lacking before. He said that "when the upturn comes we will be better placed to take advantage of it."

During the financial year sales rose 31.7 per cent to £1.1bn, still reflecting the rapid pace of Next's expansion both in high-street retailing and home shopping. The Next Directory, which was billed as breaking the mould of mail order when it was launched in January 1988, achieved sales of £60.1m, but made a loss because of the postal strike last September.

The effect of that strike on the home shopping division, which includes Grattan, was a loss of £15m of profits. Home shopping operating profits were down from £31.3m to £18.7m. High-street profits rose from £30.6m to £40.9m. The financial services division contributed £7.8m, down from £8.3m last time, and £11.8m, up from £7.5m previously, was earned from property activities.

During the year a number of non-core activities were sold, such as the Zales jewellery business and Salisbury's, the handbag and luggage retail chain. Discontinued businesses contributed £14.4m , compared with £22.3m last time. The was an extraordinary credit of £137.7m which largely related to profits on the sales.

The group's interest charge rose sharply, from £6.6m to £22.5m, although gearing fell during the year from 85.4 per cent to 43.8 per cent. Mr Peter Lomas, finance director, said gearing would rise in the current year to about 50 per cent.

Earnings per share were 10.88p, after allowing for supplemental interest on the group's convertible bonds, against 19.52p last year when there was no provision for extra interest on the bonds. The final dividend was held at 4.7p, giving a rise for the year of 2.8 per cent to 7.4p.

Lex, Page 22

Chief bullish as Mrs Fields loses $18.5m

By Andrew Hill in London

MR RANDALL Fields, chairman of Mrs Fields, yesterday promised further expansion and a return to profitability at the US cookie maker and retailer, apparently undaunted by losses of $18.5m before tax last year.

Announcing the results, which compared with profits of $17.7m in 1987, he said: "The company is alive and well and doing exceptionally well at the store level...The company absolutely will be profitable at the pre-tax line in 1989."

Since January 1988, a series of setbacks has dragged the company's share price in London down from 138p to yesterday's closing price of 29p – which was down 1p on the previous day. Before the 1987 stock market crash the shares traded as high as 266p.

Mr Fields said: "We have not communicated as efficiently as we should have about what is going on in the world of Mrs Fields."

Last year, the group made $1.4m before tax, compared with $23.1m in 1987, but an exceptional charge for the closure of underperforming stores in the US cut $19.9m from the figures, compared with a $5.4m exceptional charge the previous year. Mrs Fields first warned of the problems in July.

Ironically, the large number of store openings in 1987 meant that Mrs Fields also suffered an increase in interest, depreciation and write-off charges, up from a total of $7.44m in 1987 to $15.2m.

A further $11.6m was spent in 1988 on development and training to establish Mrs Fields Bakeries, larger shop-cum-café stores selling bakery products as well as traditional cookies and muffins.

The group – which is quoted on the Unlisted Securities Market in the UK, but has no stock market quotation in the US – hopes to open around 25 new shops this year, mostly Mrs Fields Bakeries.

Mr Fields said that the company was still in talks aimed at setting up joint ventures to manage its international operations. Partners may take minority stakes in the US group. A planned link-up with Midial, a French food group, fell through this year.

Lex, Page 22

Axel Johnson bids for outstanding Hexagon shares

By Sara Webb in Stockholm

AXEL JOHNSON, the Swedish trading group owned by Mrs Antonia Axson Johnson, yesterday made a cash offer of SKr1.6bn ($251m) for outstanding shares in Hexagon, a listed group that buys and develops small companies with a view to reselling them.

The bid puts a total value of about SKr2bn on Hexagon and means a premium of about 29 per cent over the recent share price. Axel Johnson already owns 18.1 per cent of the share capital and controls 23.2 per cent of the votes in Hexagon.

The group claimed that the acquisition of Hexagon would complement Axel Johnson's other businesses on the trading side.

The Axel Johnson group reported profits (before appropriations and tax) of SKr743m on turnover of SKr32bn in 1988. It has international trading operations in stainless steel and marine products, as well as oil trading and ore and metals trading. It also includes chemical production and supplying components to the Swedish electronics industry.

Last year it expanded its trading business in Sweden, acquiring the Saba retail and wholesale businesses for SKr4.1bn from Carnegie. The deal gave Axel Johnson a Swedish department store chain called Ahlens as well as a supermarket chain and date processing companies.

Hexagon showed profits (after financial items) of SKr291m on turnover of SKr2.72bn last year.

Its business areas include food, industry and services such as running car parks in Sweden and Norway. It owns the Swedish ice-cream company, Hemglass, and a Danish wine and spirits distributor called United Wine.

Sofigen net earnings hit SFr14.4m for 1988

By William Dullforce in Geneva

SOCIETE FINANCIERE de Geneve (Sofigen), the Swiss holding company of the group controlled by Mr Carlo De Benedetti, yesterday reported consolidated net earnings of SFr14.4m ($8.7m) for 1988, its second full year of operation.

It proposes to pay shareholders a first dividend of SFr10 per bearer share.

Consolidated earnings per bearer share were SFr47.90 compared with SFr13.30 in 1987, when Sofigen posted a net income of SFr4m.

Once described by Mr Tony Kirk, its managing director, as the De Benedetti group's "probe" into new European markets, Sofigen raised its long-term investments to SFr214m in 1988 from SFr135m at the end of 1987.

The most significant of these investments was the 4.9 per cent stake it bought in De La Rue, the UK banknote and security printing company, for which it paid some £30m ($51m) entirely financed from equity.

This purchase, which followed the acquisition of a 14.9 per cent stake in De La Rue by *Mr Robert Maxwell, stimulated* speculative interest in De La Rue shares. However, in its annual report Sofigen decribes De La Rue as "a solid, long-term investment."

Sofigen has taken stakes in two UK merchant banks, 1.8 per cent in S.G. Warburg and 4.9 per cent in Brown Shipley Holdings. Its annual report says the Warburg share price can confidently be expected to return in due course to its level before the stock market crash of October 1987.

Brown Shipley's strategy is being refocused under its principal shareholder, Kredietbank Luxembourgeoise, in a way that is expected to restore the share price to a level reflecting the underlying value of the bank's businesses, the report states.

M&A Bank, Austria's first independent merchant bank, in which Sofigen holds a 25 per cent interest, has completed its first six months of *operations with a profit.*

Elsevier expects Pearson merger decision this year

By Laura Raun in Amsterdam

ELSEVIER, the big Dutch publisher, expects a decision this year over a possible merger with Pearson of the UK, but admits a proposed merger with Perscombinatie is virtually derailed.

Mr Pierre Vinken, chairman of Elsevier, said yesterday that a decision over Pearson, the industrial, publishing and financial group that owns the Financial Times, would clarify the nature of joint ventures now under consideration.

The two companies are studying whether to merge fully following a strategic share swap last year giving Elsevier 8.3 per cent of the British group and Pearson 22.7 per cent of the Dutch publisher.

They are continuing to talk to other companies about possible joint ventures in line with the accelerating concentration in the publishing industry, Mr Vinken told journalists at Elsevier's annual press conference.

Asia, the US and Europe are still target areas, although the Netherlands has moved to the back burner due to insurmountable obstacles in buying Financieele Dagblad, the Dutch financial daily which opposes a takeover.

"Even if nothing concrete ever happens, it [the alliance] has a strategic rationale," he added.

Elsevier considers English-language publications its highest priority, notably in the US, where it has a war chest of $50m for acquisitions. The publisher ranks third in the Netherlands and is the world's biggest publisher of scientific journals. Half its revenue is derived from abroad.

The planned merger with Perscombinatie is off unless the smaller Dutch publisher reconsiders the plan it rejected on Monday night or proposes a new, almost identical, version, Mr Vinken indicated. Under the agreement in principle announced last November, a 50-50 joint venture would be established and Elsevier would be financially compensated for Perscombinatie's small size.

Perscombinatie says it will hold further internal talks, but it is understood that Elsevier believes time has run out and will consider a new plan only if nothing better comes up first.

Oce increases profits by 7.9%

By Our Financial Staff

OCE-VAN der Grinten, the Dutch copier and office systems group, boosted its net profit in the first quarter of 1989 by 7.9 per cent to Fl 16.3m ($7.7m) from Fl 15.1m a year earlier.

The rise represented the third consecutive quarter of earnings advances following a one-and-a-half-year slump in sales and earnings between 1987 and mid-1988, caused in large part by the weak dollar, corporate restructuring and product development costs and tough US markets.

In the three months ended February 28, 1989, Oce recorded earnings per share of Fl 5.58, up 7.9 per cent from Fl 5.17 a year earlier. Separately, Oce declared a Fl 10 per share dividend for 1988, unchanged from last year.

First-quarter revennes rose 6.7 per cent to Fl 483.9m from Fl 453.4m. Adjusted for favourable foreign currency effects and corporate divestitures, Oce's total revenues were up 7 per cent, in line with analyst forecasts.

Oce said the first-quarter results were "within expectations" and on track with the company's previous forecast that earnings in fiscal 1989 would "steadily improve" on those in 1988, when net profit totalled Fl 76.1m.

Oce's earnings last quarter were also favourably affected by currency factors in comparison with the first quarter of fiscal 1988. In line with experiences during last year's second half, profit gains were buoyed by the benefits of the company's worldwide cost-cutting and restructuring programmes.

Despite those improvements, Oce's US operations continued to be strained by costs related to expansion, restructuring and tough market competition. The company said Oce thus still suffered operating losses in the US and it would take more time to eradicate them.

SBC subsidiary buys stake in Banesto

By Our Financial Staff

A SUBSIDIARY of Swiss Bank Corporation has bought a 2.05 per cent stake in Banco Espanol de Credito (Banesto), the Spanish bank disclosed yesterday.

Banesto said the shares were bought from Cartera Central, a holding company controlled by Construcciones y Contratas, the Spanish construction group.

Banesto said it acted as broker in the transaction but did not say how much the deal was worth. It also did not identify the SBC subsidiary.

Construcciones y Contratas, which announced last week that it was buying out a large minority share in Cartera Central held by the Kuwait Investment Office, said last February that it was seeking a buyer for *Cartera's stake in Banesto.*

Plans for a merger between Banesto and Banco Central to create Spain's largest single financial entity collapsed in February after a power struggle between Cartera representatives on the Banesto board and Mr Mario Conde, Banesto chairman.

Cartera retains a 12.5 per cent stake in Banco Central, making it by far the biggest *shareholder in the bank.*

Int'l Paper leaps 40% in first quarter

By Karen Zagor in New York

INTERNATIONAL PAPER, the world's largest paper maker, yesterday reported a 40 per cent leap in first-quarter earnings.

Net profits for the quarter ended March 31 were $223m or $1.96 a share compared with $159m or $1.38 a share the previous year. Sales for the period were $2.6bn against $2.3bn a year ago.

Sales in the company's pulp and paper sector were $865m, up from $740m the previous year. Paperboard and packing sales rose to $845m, up $35m. Wood products and timber sales were $265m, against $195m, while specialty products sales rose $80m to $270m.

Although the 40 per cent increase in earnings is a fair indication of the revival of the US pulp and paper industry, the rate of growth has actually slowed considerably. In the first quarter of 1988, International Paper's profits were up 77 per cent, and in the same period of 1987, earnings jumped 360 per cent.

The New York City company has been expanding recently, with the acquisition of the Ilford Group and a friendly takeover of the French firm, Aussedat Rey, which should be completed during the second quarter.

"These companies should have an immediate positive impact on our company," said Mr John Georges, chairman and chief executive.

● Scott Paper, the US paper products group, has agreed to sell 194,000 acres of timberland in western Washington state, to Crown Pacific, a privately-held, Oregon-based forest products company, for about $230m.

Scott said pulp and paper manufacturing at its Everett mill, which receives typically only a small amount of its wood fibre from its north-west timberlands, would be unaffected. The agreement calls for Crown Pacific to supply wood fibre to the mill from the purchased land.

Located primarily in Whatcom, Skagit and Snohomish counties, the sale represents all but about 16,000 acres of Scott's north-west timberlands. Scott said it first announced plans to sell these properties in 1988.

Mr Philip E. Lippincott, Scott's chairman and chief executive, said: "As we indicated in 1988, our north-west timberlands are best suited for producing lumber and building materials products which are not strategic directions for Scott."

Scott said it would offer alternative employment opportunities to the about 50 employees who work in the north-west timberlands.

Davis files to block NWA defence

By Anatole Kaletsky in New York

MR MARVIN DAVIS, the Los Angeles oil and property billionaire who last week made a $2.7bn bid for NWA Inc, the parent company of Northwest Airlines, yesterday filed lawsuits to block allegedly unfair "poison pill" defences adopted recently by NWA's board.

Mr Davis's suit came within hours of the announcement that NWA was thinking of creating a new employee stock ownership plan (or Esop) that could acquire a substantial proportion of its common stock.

While NWA said that it "does not look on Esops as a defensive measure," analysts noted that these plans had recently become increasingly popular among companies threatened by takeover bids.

Mr David described a possible Esop by NWA as "a device to insulate management from transactions that could enhance shareholder value." NWA's shares fell by $¾ to $86⅝ yesterday morning.

Among companies which have recently used Esops for defensive purposes is Polaroid, the big Massachusetts photographic group. Polaroid won a long battle for independence last month largely as a result of the support of a crucial block of shares owned by its employees.

The Esop laws allow a company to borrow money on behalf of its employees to enable them to buy its own stock. A large block of stock is bought immediately and put under the control of an independent trustee.

Full beneficial ownership then vests gradually in the workforce as the bank borrowings are paid off.

After numerous legal challenges, the Polaroid case established that an Esop could be considered as a shareholder "independent" of a company's management, provided the plan was established for legitimate business purposes.

This has made the Esop an extremely effective defence because various states have passed anti-takeover laws that allow as few as 15 per cent of a company's "independent" shareholders to block a merger.

In NWA's case, however, an Esop defence might be less plausible because of the management's strained relations with its workforce. NWA has stated publicly that it would create an Esop only if its unions agreed to labour concessions in order to provide "some fair payback" for existing shareholders. In the past the unions have publicly opposed any ideas of offering pay concessions in exchange for a shareholding in NWA.

Sun unveils new workstations

By Louise Kehoe

SUN MICROSYSTEMS, the leading US computer workstation manufacturer, is expected to unveil an array of new products today that, according to industry analysts, will "blanket the workstation market from top to bottom."

The group is aiming to add to its already commanding 30 per cent share of the $5bn workstation market while defending its turf against the incursions of increasingly powerful personal computers.

Sun is expected to offer two sets of new workstations – some based upon its own reduced instruction set computer (Risc) architecture, Sparc, and others built around the latest versions of Motorola's 68030 microprocessor.

Although Sun is committed to promoting Sparc as an industry standard and has licensed several chip makers to manufacture the chips, it is also taking advantage of the best conventional microprocessors from Motorola and Intel.

The Sparc-based machines are expected to range in price from a low-end "personal workstation" selling for under $10,000 to a high-performance $22,000 machine capable of processing 15m instructions per second (Mips). Later this year, the company is expected to extend its Sparc offerings with even higher-performance machines in the 20 Mips and 50 Mips classes.

The Motorola-based machines will be aimed at customers who have already invested in software designed to run on Sun's older systems.

The new low-cost Sun workstations are attracting most attention. The market for personal workstations is expected to grow from about $2bn in 1988 to more than $8bn by 1993, according to InfoCorp, the market research group.

Nova obtains London stock listing

By David Owen in Toronto

NOVA, the fast-growing but heavily indebted Canadian petrochemicals and pipeline group, will today announce the listing of its shares on the London Stock Exchange. London will be the second non-Canadian exchange on which the Calgary-based company's stock is traded, following New York.

The step is being taken, according to Mr Robert Blair, chairman and chief executive, because Nova is now "a world company in a global business." Thought is also being given to obtaining a listing in Tokyo.

Nova's international presence increased markedly last year with the C$2bn (US$1.68bn) acquisition of Polysar Energy & Chemical, the world's largest producer of synthetic rubber. At the time, Polysar boasted 6,400 employees in 16 countries.

According to Mr Blair, approximately C$1bn of Nova's C$5.5bn annual revenues is produced outside Canada, while a further C$2bn of Canadian products is exported.

After 18 months of strong petrochemicals prices, the company is mulling the construction of a new C$1.5bn ethylene and polyethylene plant in Alberta. It has also earmarked C$1bn over five years for new pipelines and gas compression plants. This is despite a long-term debt load which amounted to some C$4.2bn at the last fiscal year end.

Mr Blair is optimistic that petrochemicals prices will remain buoyant in 1989 and 1990. "If there is a steep recession, it will exert some downward pressure but not a monstrous one," he says.

In 1988, the company made profits of C$424m on revenues of C$3.9bn.

Nestle fixes rights issue prices

By William Dullforce in Geneva

NESTLE, the Swiss foods group, has fixed prices for the 1-for-20 rights issue announced last month at SFr4,500 per registered share and SFr900 per participation certificate. The prices have to be agreed by the shareholders.

By offering identical prices for registered and bearer stock Nestle has effectively conferred a higher value on the rights attached to the bearer shares. These closed at SFr7,660 yesterday with the registered at SFr6,730.

The aim is clearly to mollify holders of bearer shares, mostly foreigners, who saw the price of their stock plummet, when the foods group announced last November that it was opening its registered stock to foreign ownership.

Nestle last month raised its dividend payout ratio to 30.1 per cent for 1988 from 27.9 per cent in 1987. It also announced an 11.5 per cent climb in consolidated net earnings to SFr2.04bn ($1.24bn) on a SFr40.7bn turnover and proposed a dividend of SFr175 per registered and bearer share and SFr35 per participation certificate.

Ford family cuts motor group stake

THE FORD family has reduced its ownership of Ford Motor by about 6 per cent but retains 40 per cent voting power in the car maker writes Our Financial Staff.

The family cut its holdings of Class B convertible stock to 35.4m shares by March 13, from 37.7m at the same time last year. But the votes per Class B share has been adjusted to maintain the family's voting power unless Class B holdings drop below 30.3m shares in which case the family's voting power would be 30 per cent.

NORTH AMERICAN NEWS IN BRIEF

GENERAL INSTRUMENT, the diversified US electronic components group, has announced a small rise in fiscal fourth-quarter profits to $20.6m, or 61 cents a share, from $19.4m or 58 cents a year earlier.

Net earnings for the year ended February 28 were $85.5m or $2.55 a share against $66.2m or $2.01. Revenues rose to $1.30bn from $1.15bn.

General Instrument said its order backlog at February 28 was $890.6m, up from $598.8m at the end of fiscal 1988. The company added that its latest fourth quarter included a gain from the sale of its Clare division, which was largely offset by charges related to stock appreciation rights and a VideoCipher product incentive compensation plan.

● Citizens & Southern, the Atlanta-based banking group, said it had asked NCNB, another big US banking institution, to withdraw its unsolicited $2.4bn takeover offer.

The request follows a statement by the Georgia Department of Banking and Finance which said that a prolonged period of 12 to 18 months might be required to resolve regulatory questions about the proposed takeover.

● First Wachovia, the banking group based in North Carolina, lifted first-quarter profits to $67.3m or $1.17 a share from $58.8m or $1.08. It was formed in 1985 from the merger of Wachovia Corporation and First Atlanta, and ranks 31st in size among US bank holding companies.

Money flows from black gold

Max Wilkinson looks at the possible gains from investing in oil

Investors wise enough to have bought shares in the world's 19 largest oil companies would have received an average return on their money of 20 per cent last year, according to Petroguide, the London-based analyst.

However, the calculations, by Petroguide's Petrocompanies service, show that those who bought a smattering of shares across the board were not so lucky – the unweighted average return, including stock movements and dividends, fell to 14 per cent.

The larger European oil companies did better on average than the US companies in dollar terms. The 12 largest US companies showed an average total return of 13 per cent in 1988, compared with 17 per cent for the six largest European businesses.

The averages conceal wide variations. The best performer, Elf Aquitaine of France, showed a total return of 54 per cent in dollar terms after a poor year in 1987, when investors would have made a loss of 2 per cent. The worst performer in 1988, according to Petrocompanies, was Unocal of the US, whose investors would have lost 52 per cent over the year.

The best buy in recent years from the point of view of a US investor appears to have been Elf, with an average annual return of 43 per cent. However, this includes the conversion of returns into dollars.

As might be expected, the most consistent performances were recorded by the two giants, Exxon and Royal Dutch/Shell.

The annual average return from Exxon since 1982 is shown to be 28 per cent compared with 27 per cent from Shell Transport and Trading (in dollar terms) and 36.5 per cent from Royal Dutch.

US investors in British Petroleum, now the world's third largest oil company, would have had a bumpler ride, but achieved an annual average return of 30 per cent during the same period.

The analysis shows that the 13 largest US oil companies plus Shell and BP increased operating profits from refining and marketing by 189 per cent last year to $10.8bn.

However, lower oil prices reduced exploration and production profits by 30 per cent to $11.9bn. Profits from chemicals were around the same level at $9.3bn, an increase of 78 per cent since the previous year.

For these 15 companies, total net income was $25.9bn, an increase of 65 per cent compared with 1987.

However, cash flow for the group was little changed at $54.7bn, while capital investment rose almost 8 per cent to $40.4bn.

The analysis is available to clients of the Petrocompanies service. It is published by Petroguide, 25/31 Ironmonger Row London EC1.

WORLD OIL COMPANIES
Total return to investors (%)

	1988	1987
US		
Amerada	29	6
Amoco	14	11
Arco	22	22
Chevron	22	-7
Dupont	5	8
Exxon	20	14
Mobil	22	2
Occidental	14	-3
Phillips	44	26
Sun	-32	0
Texaco	43	6
Unocal	-52	10
USX	3	43
Average	12	10
EUROPE		
BP	2	42
Elf	54	-2
ENI	n/a	n/a
Petrofina	45	11
R. Dutch	9	26
Shell T&T	-6	40
Total-CFP	-1	11
Average	17	23
World average	14	14

Source: Petrocompanies

Pacific Dunlop places shares to lift reserves

PACIFIC DUNLOP, the Australian industrial group, plans an underwritten international placing of 36m shares, some 6 per cent of current capital, to better maintain balance sheet gearing and to lift cash reserves, Reuter reports from Melbourne.

Morgan Stanley will co-ordinate the offering, which will consist of 4.5m American depository shares representing 18m ordinary shares to be offered in the US, 9m shares outside the US and Australia, and 9m shares to Australian institutions.

The US placement will be led by Morgan Stanley and Merrill Lynch Capital Markets; the Australian by Potter Partners and E.L. and C. Baillieu; and the third will be led by Morgan Stanley International and Crédit Suisse First Boston.

Japanese men's suit maker beats forecasts

ONWARD Kashiyama, Japan's biggest maker of off-the-peg suits for men, boosted parent pre-tax profits 12 per cent to Y15.6bn ($118m) in the year to February. This was above earlier forecasts, and the company said it expected further growth to Y16.2bn this year, Our Financial Staff writes.

Sales at Y186.6bn were up 4.5 per cent and are projected to rise to Y193.5bn for 1989-90.

The company, previously known as Kashiyama & Co, recently added the Onward name, the most famous brand for its suits.

Onward Kashiyama also has Japanese licences for international designer names such as Jean-Paul Gaultier.

The company is maintaining a Y16.50 annual dividend, paid from net earnings of Y46.87 per share.

Asahi Glass lifts income as demand increases

By Robert Thomson in Tokyo

ASAHI GLASS, Japan's leading glass producer, reported a 14.4 per cent increase in sales and a 31.9 per cent rise in consolidated net income in the year ending last December.

It attributed the strong performance to increasing domestic demand and a more stable exchange rate.

Sales for the year were Y987bn ($7.4bn), with net income at Y46.08bn. The company expects continuing strong domestic demand to push sales 9 per cent higher this year and net income up 19 per cent.

However, the company said that possible barriers to growth were fluctuations in US trade policy and currencies.

Domestic demand for vehicles more than compensated for a decline in glass sales for exported cars, while sales of glass bulbs rose.

● Koito Manufacturing, the Japanese car lighting company, said yesterday that it *would delay registering* the transfer of 20.2 per cent of its equity to Boone, a corporate vehicle of Mr T. Boone Pickens, the Texas corporate raider, Our Financial Staff writes.

It ascribed the delay to "problems to be sorted out with regard to legal procedures." The Ministry of Finance is investigating how Boone accumulated its stake.

Earnings decline by 23% at Israel Discount Bank

By Hugh Carnegy in Jerusalem

ISRAEL DISCOUNT Bank group, the country's third-ranked financial institution, has reported a 23 per cent fall in net profits for 1988, but says it is satisfied "under the circumstances" facing Israeli banks over the last year.

It announced inflation-adjusted profits of Shl 55.4m ($30.6m) compared with Shl 72m in 1987. Return on equity was 7.1 per cent, down from 9.7 per cent in 1987. Total assets were up by nearly 5 per cent to Shl 25.8bn, as were public loans and deposits at Shl 7.7bn and Shl 120.2bn respectively.

Provisions for bad debts were up by 27 per cent at Shl 143.3m, reflecting the dominant feature of 1988 for Israeli bankers – the crises facing Koor Industries, the labour movement-owned industrial conglomerate, and the kibbutz sector.

Koor has bank debts of more than $1.2bn, of which 70 per cent is owed to Israeli banks. Israel Discount Bank's exposure to the agricultural sector, including the kibbutzim, totalled Shl 128m at the end of 1988, with a similar exposure to Koor. This is much less than Bank Hapoalim and Bank Leumi, its two larger rivals – hence the confidence at IDB that its performance will compare favourably with its competitors when they report this month.

IDB is controlled by the Recanati family of Tel Aviv under the preferential voting system that has arisen in Israeli banks. Under this system, minority shareholders have control despite majority government holdings.

Parliament is considering a bill to equalise voting rights. After that has gone through, the Government wants to sell off its holdings. Instead, the Recanatis want to buy a stake from the Government which would leave them in control.

Sappi turns in record results

By Jim Jones in Johannesburg

SAPPI, South Africa's largest pulp and paper maker, hit record sales and profits in the 14 months to February.

The company was helped by higher world pulp and paper prices, favourable exchange rate shifts and the acquisition of Courtaulds' local pulp interests.

Turnover rose to R2.47bn ($966.5m) from the preceding year's R1.31bn. Pre-tax profits rose to R583m from R266m.

Mr Eugene van As, the managing director, says that international and domestic demand for products continues to be buoyant.

The company's Ngodwana pulp mill, which processes wood from large plantations in the eastern Transvaal, has recovered from an explosion in November 1987 and Mr Van As expects its production to increase for some years.

Sappi has bought Courtaulds' South African rayon pulp interests but is still negotiating with the Swazi Government on the acquisition of the Usutu plantations and pulp mill in Swaziland. The company has taken over management of Usutu but will consolidate Usutu's results only when the negotiations are concluded.

Net earnings increased to 607 cents a share from 331 cents and the dividend is lifted to 190 cents from 130 cents.

Gold Fields Namibia profits drop

By Jim Jones

GOLD FIELDS Namibia (GFN), a quoted subsidiary of Gold Fields of South Africa, suffered a sharp drop in profits in the first quarter of this year as engineers continued their efforts to re-open the company's flooded Kombat copper mine.

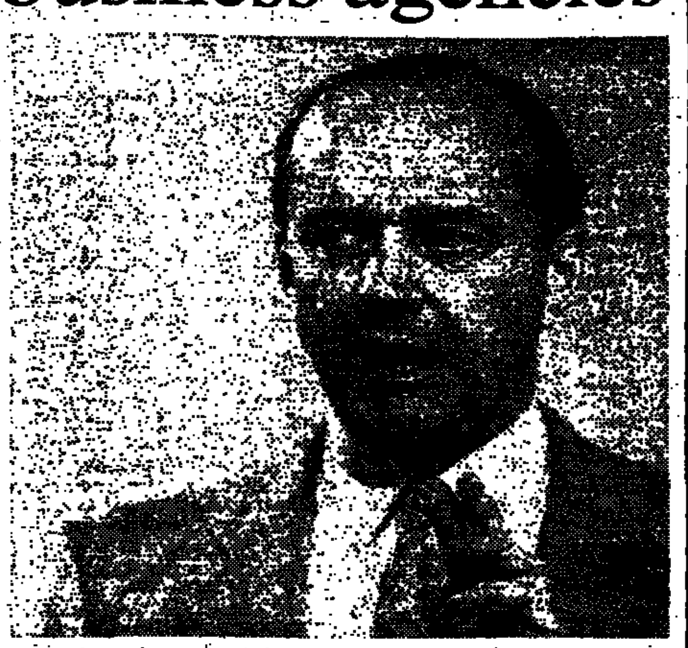
Copper sales dropped to 7,345 tonnes in the quarter to March from 10,138 tonnes in the final quarter of 1988. Sales revenue fell to R92.8m ($36.3m) from R123.4m and the quarter's pre-tax profit was R22.5m against R39.5m.

The Kombat mine was flooded in November when an underground exploration tunnel hit a water fissure. Since then the fissure has been plugged with concrete pumped through boreholes drilled from the surface. The company will start pumping water from the mine soon.

GFN shares were listed on the Johannesburg Stock Exchange last year. The company operates a copper smelter and lead refinery which process metal concentrates produced by other Namibian mining companies in addition to metals produced by GFN's mines.

INT COMPANIES AND FINANCE

Broader roles planned for UK business agencies


John Cope: agency role in counselling

Business in the Community (BiC), the umbrella organisation for Britain's national network of enterprise agencies, is to launch an advertising and telephone campaign to attract sponsorship from more medium-sized and smaller businesses.

It intends to raise the level of private-sector sponsorship – which at present comes mainly from the UK's 200 largest companies – from £35m a year to £50m ($85m). The extra money will offset the phasing-out of government support, which has helped the number of agencies to expand from three to 300 in 11 years.

The agencies' original role was to help people who wanted to set up a small business. The early model, copied by many, was the Community of St Helens Trust. This was set up in 1978 as new technology was beginning to wipe out thousands of glass-making jobs.

With unemployment now falling, the role of agencies is shifting towards helping small businesses to grow, although they believe start-up support will remain a core activity.

There is confusion, however, about how the agencies should develop. Some sponsors have questioned whether they get value for money. Others have pointed to possible duplication of services and are worried about the extent to which the agencies should "go commercial," operating beyond nursery levels of care for small businesses.

They wonder what will happen if sponsors find that agency clients are becoming competitors.

Mr John Cope, the Employment Minister, told a Shell-sponsored BiC conference of enterprise agency chairmen in Sheffield last week that there was considerable overlap of provision between agencies and some other services, which caused confusion in the minds of small business people seeking advice.

Mr Cope wants the agencies to become key elements in the 100 Training and Enterprise Councils (TECs), which will operate regionally and to which the Government is sub-contracting responsibility for the Youth Training Scheme, Employment Training and the Enterprise Allowance Scheme.

Each TEC will be led and supported from the private sector and will have discretionary power to develop enterprise training for start-up and existing small businesses.

Counselling – the central role of the enterprise agencies – will be a key element. The Government will consider arrangements for providing it, when awarding a contract for a TEC.

The TECs will not be able to use the Government's Small Firms Service (SFS), because Mr Cope said the SFS would drop its present counselling functions while it kept its information and advisory services.

Mr Cope hopes the agencies will enter contracts with their local TECs to provide small-business counselling and support services.

Some are hoping to make doubly sure of getting such contracts. In Essex, all 10 agencies have banded together to bid to form a TEC. However, many chairmen's comments at the BiC conference showed there may be difficulties ahead.

Money is the main worry. A large part of the sponsorship in all regions comes from the same pool of big companies and financial institutions. The Government expects those same big sponsors to lead the TECs and help fund them.

Ian Hamilton Fazey looks at likely changes in the way enterprise bodies will operate in future

Mr Cope also sees the TECs influencing the agencies – possibly encouraging smaller ones to merge and others to widen their coverage. Some agencies already co-ordinate their work and foster a network approach among themselves, although most of their chairmen have admitted to researchers at Durham University that they rarely meet their local contemporaries.

Networking might see an agency specialising in certain types of counselling – such as obtaining venture capital or in export marketing – and being fed with clients by its neighbours, each of which would offer different expertise.

The big sponsors certainly want more co-ordination. This has been seen on Merseyside, where Mr Bill Appleton, senior partner in Deloitte Haskins & Sells, the accountancy firm, and chairman of the Business in Liverpool agency, has just succeeded in getting Liverpool Enterprise off the ground.

This body will have a chief executive and small staff to co-ordinate the work of five enterprise and training agencies in the city.

First-year funding will be £60,000, half of which will be met by International Business Machines, which is giving £20,000, and Barclays Bank, which is contributing £10,000. Lloyds Bank has offered £2,500 plus a secondee, and this level of private sector commitment has encouraged Merseyside's City Action Team to ask its government masters for £27,500 from the urban programme.

Second-year sponsorship is already being committed, with a promise of £10,000 from United Biscuits, another leading national sponsor of the enterprise agency movement.

Sir Hector Laing, who chairs both United Biscuits and BiC, is also hoping to widen the concept of the Per Cent Club to medium-sized and smaller businesses in the regions. Club members pledge up to 1 per cent of pre-tax profits for sponsorship of community affairs, including enterprise agencies.

Sir Hector told the conference he wanted to form regionally based Per Cent Clubs to encourage contributions in kind – 10 per cent of an executive's time, for example – as well as cash.

As Durham's research showed, 51 per cent of agency chairmen come at present from large companies employing 500 or more people. Medium-sized companies provide 11 per cent of chairmen, while 24 per cent come from businesses employing fewer than 200 people each. The rest come from the public sector.

Each chairman gives the agency about five hours a week. Most complain it is too little, but all they can afford. Only 34 per cent of board members are there for their relevant experience. Most are merely sponsors' watchdogs.

Spreading the burden of sponsorship and donated time to medium-sized and smaller businesses through BiC's new campaign and the Per Cent Club's drive for regional branches is therefore likely to be crucial.

Adia raises consolidated net profits by 27% to SFr95.5m

By John Wicks in Zurich

CONSOLIDATED net profits of Adia, the Swiss-based temporary-employment group, rose by 27.7 per cent last year to a record SFr95.5m (US$57.8m).

The rise came on a 22.9 per cent increase in group revenues to SFr2.51bn.

Adia, the world's second biggest organisation in this sector and the parent of such national companies as Alfred Marks in the UK, recently passed into the control of Omni Holding.

This Swiss firm is itself controlled by the Swiss financier and industrialist Mr Werner Rey.

A share of 89.5 per cent of total revenues, or some SFr2.25bn, was accounted for by actual temporary-help operations.

The number of hours that the company sold rose 15.5 per cent to 115.4m.

Adia last year acquired 11 further companies, mainly in the English-speaking world.

The company also started up activities in Luxembourg and Singapore.

These new operations will have their full effect on sales this year.

Apart from its mainstream business, the company derived 4.6 per cent of its total revenues from personnel placement.

A further 4.3 per cent came from security services, and other operations contributed 1.6 percent.

Adia's directors expect group turnover to increase by a further 20 per cent in 1989 to some SFr3bn.

This forecast does not take into account, however, the plans for the merger of operations of Adia and the Omni Holding affiliate, Inspectorate International.

The dividend to be paid by Adia SA, the group's holding company, is to be determined after the end of this company's financial year, which will be held on June 30.

HAFSLUND NYCOMED

GENERAL MEETING

An ordinary general meeting will be held Wednesday 26 April 1989 at 4 p.m. in Industriens og Eksportens Hus, basement floor I, Drammensveien 40, Oslo.

THE AGENDA COMPRISES:

1. a) The company's annual financial statement for 1988.
   b) Adoption of the company's income statement and balance sheet for 1988.
   c) Employment of the year's profit and the declaration of dividends.
   d) Adoption of the income statement and balance sheet, consolidated, for the Hafslund Nycomed Group for 1988.
2. Proposal to the effect that shares of class A
   – some of which are ordinary A shares owned by foreigners at 25 April 1989
   – and some of which are provisionally entered in the shareholder register of the Norwegian Registry of Securities as "free A" shares (6,388,328 shares)
   be transferred to a new share class:
   – shares of class Free A.
   The shares of class Free A shall be the voting shares which may be owned also by non-Norwegian citizens or legal entities which according to Norwegian law are not regarded as under Norwegian control. The class Free A shares may constitute up to one third of the voting shares.
   The remaining class A shares may be owned only by Norwegian citizens and legal entities which according to Norwegian law are under Norwegian control.
   Except as aforesaid, shares of class A and shares of class Free A shall have the same rights in the company.
   In order to be adopted the proposal with the pertaining amendments of the Articles (see item 4) requires a four-fifth majority of the votes cast and of the capital represented in the general meeting.
3. Motion to reduce by 2 days the prior period of time required under the Articles of Association for acquisition of shares before they carry voting rights at general meetings, cf. Article 7, third paragraph, last sentence.
4. Proposal, as a consequence of resolutions to
   – establish shares of class Free A
   – reduction of time limit before acquired shares carry voting rights at general meetings
   to make the following amendments to the Articles of Association:
   a) § 4 to be worded:
   "The company share capital is NOK 281,837,280 divided into *) class A shares, *) class Free A shares, and 9,394,576 class B shares, a total of 56,367,456 shares of NOK 5,– each.
   The class A shares may be owned only by Norwegian citizens or by legal entities which according to Norwegian law are regarded as under Norwegian control. The class Free A shares and the class B shares may also be owned by non-Norwegian citizens or by legal entities which according to Norwegian law are not regarded as under Norwegian control. The class Free A shares may amount to up to one-third of the voting shares. The class B shares do not carry a right to vote in general meetings. Otherwise each and every share carries the same right in the company.
   The company shares shall be registered with the Norwegian Registry of Securities. The shares in each share class will be registered separately."
   b) § 5 to be worded:
   "Subject to the limitations stipulated for each share class, the shares in the company may be freely assigned and acquired.
   Provided, however, that the directors may withhold approval of the acquisition when they find that it would be contrary to the company's interests."
   c) § 7, second and third paragraph to be worded:
   "At general meetings each class A share and each class Free A share carries one vote. Resolutions are adopted by ordinary majority of class A shares and of class Free A shares unless otherwise prescribed in the Companies Act. In the event of a tie the chairman of the meeting has the casting vote.
   The shareholders entitled to vote at general meetings are those who hold class A shares and class Free A shares that are recorded in the company share register at the Norwegian Registry of Securities. Shares that are transferred to a new owner do not carry voting rights until 2 days after the assignment is entered in the share register."
   *) These figures for the shares will be fully clarified only by 26 April 1989, see item 2, first paragraph.
5. Motion to empower the Board to increase the share capital by up to NOK 37.5 million by issuing up to 7.5 million new class B shares having a nominal value of NOK 5.–.
   It is the intention that subscription shall be made at approximately the market price.
   The Board may decide that the new issue shall be made without giving preference to existing shareholders. Other details of conditions for issue(s) shall be decided by the Board.
   The Board is similarly empowered to amend the amount of share capital in Articles of Association after issuing new shares under these powers.
   This authorization shall apply until ordinary general meeting 1990.
6. Proposal, as a consequence of the change of name in 1988 to Hafslund Nycomed AS, to adjust the following provisions of the Articles of Association, to be worded:
   a) in § 9, second paragraph:
   "1) adopt the income statement and balance sheet for Hafslund Nycomed AS"
   "3) adopt the income statement and balance sheet for the Hafslund Nycomed Group"
   b) in § 13, second paragraph:
   "6) submit a recommendation to the general meeting on the matter of approving the board's proposed income statement and balance sheet for Hafslund Nycomed AS and income statement and balance sheet for the Hafslund Nycomed Group."
7. Proposal to repeal the transitional provision of § 19 of the Articles of Association as being no longer relevant.
8. Election of members and deputy members to the corporate assembly.
9. Election of a member to the election committee.
10. Approval of the auditor's fee.
11. Election of auditor.

Hafslund Nycomed's annual financial statement, the auditor's report and the corporate assembly's statement are available for inspection at the company's offices in Skjeberg and in Slemdalsveien 37, Oslo and will moreover before the general meeting be sent to all shareholders whose address is known.

Under § 7 third paragraph of the Articles of Association, class A shareholders (including free A shareholders) have voting rights at the general meeting when they are entered in the company register of shareholders in the Norwegian Registry of Securities. Class A shares that are assigned do not carry voting rights until four weeks have elapsed after the acquisition was reported to the company and approved by the board of directors.

Class B shares do not have voting rights at the general meeting except in the consideration of item 2 with pertaining amendments of the Articles under item 4. The provisions of the preceding paragraphs will similarly apply. Except as aforesaid, these shares carry the same rights in the company as class A shares.

Shareholders who intend to participate in the general meeting, whether in person or by proxy, must report this, according to § 6 second paragraph of the Articles. The report is made in writing to Hafslund Nycomed AS, P.O.Box 5010 Majorstua, 0301 Oslo 3, at the latest by Friday 21 April 1989, whereupon the shareholder will receive an admission slip.

Shareholders may attend by proxy. The proxies must be in writing and dated. Shareholders may, if they so desire, issue the proxy to the chairman of the corporate assembly, Mr Gunnar Thommessen, or to the chairman of the board, Mr Terje Mikalsen.

Dividends
In accordance with the resolution of the general meeting, dividends will be paid at the beginning of May 1989 to the shareholders who on 26 April 1989 are entered in the company's register of shareholders in the Norwegian Registry of Securities.

Oslo, 5 April 1989
GUNNAR THOMMESSEN
Chairman, Corporate Assembly

INTERNATIONAL COMPANIES AND FINANCE

Firmer dollar underpins sentiment in Treasuries

By Janet Bush in New York and Katharine Campbell in London

THERE WAS another dull session in the US Treasury bond market yesterday as traders continued to wait for the economic releases bunched up at the end of this week.

Prices moved modestly higher during the morning session with traders citing the steady performance of the dollar after Monday's official dollar sales by the Federal Reserve, when the US currency was trading at DM1.8830. At midsession yesterday the dollar was quoted at DM1.8850.

INTERNATIONAL BONDS

Bond prices were quoted as much as ⅜ point higher at the long end of the yield curve, taking the return on the Treasury's benchmark long bond to 9.09 per cent.

Although Friday's producer prices release, accompanied by February trade figures and March industrial production and capacity utilisation, will be the main focus this week, the market is also gearing up for today's seven-year note auction.

Money market economists at Drexel Burnham Lambert commented that interest in the market was still concentrated at the short end of the yield curve, with many participants looking for a further rise in interest rates before locking in longer maturities.

THE Japanese market, made nervous by political scandals, recovered slightly at the end of the trading session as the televised performance before parliament of Mr Noboru Takeshita, the Prime Minister, betrayed nothing more momentous than some neat sidestepping. The 10-year JGB future finished near the day's highs of 104.62, 12 basis points firmer than Monday's close. The No.111 benchmark bond was yielding 5.19 per cent, virtually unchanged on the previous session.

MOST key bond markets are caught in a lull until Friday's economic data offer another chance to take the temperature of the US economy. In the UK, domestic inflation signals for release tomorrow and Friday continue to keep the gilts market in check.

Dealers reported modest overnight buying interest from Japan, mainly on relative sterling strength as a result of the verbal defence of the currency by Mr Nigel Lawson, the Chancellor. Prices were fairly stable over the day in lethargic trading, until late reports of a likely dock strike ballot knocked 1⅛ pfennigs off sterling.

Gilts responded by shedding ⅜ of a point at the long end and up to ¼ of a point in the mediums. Traders said the latter sector was probably readjusting to earlier exuberance at the Bank of England's reverse auction next month. The central bank's forthcoming purchase of £500m, spread over more than one stock, is relatively insignificant in volume terms.

PRICES in the Dutch market, where a new state loan is awaited today or tomorrow, hardly moved during the day.

Traders are uncertain as to the terms of the new issue. Some expect a 10-year maturity with a coupon of 7¼ per cent, while others are looking for a shorter six- or seven-year maturity and a lower 7 per cent coupon.

So far this year the Government has made four issues totalling Fl 11.4bn towards the annual borrowing requirement of Fl 42.3bn. As the programme is less advanced than usual, the market anticipates a sizeable issue this time.

GERMAN bond prices closed modestly firmer on Liffe, spurred by encouraging noises from the Bundesbank that inflation was under control. A member of the central bank board had remarked that anti-inflationary policies were working, which helped 10-year bond futures to close near the day's highs at 93.41, 8 basis points up on the previous finish.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-22	-4/32	11.10	10.89	10.57
		9.750	1/98	98-20	-4/32	10.54	10.19	9.97
		9.000	10/08	96-25	-6/32	9.36	9.24	9.07
US TREASURY *		8.875	2/99	97-15	+4/32	9.31	9.25	9.34
		8.875	2/19	97-28	+8/32	9.11	9.07	9.14
JAPAN	No 111	4.600	6/98	96.3277	0.091	5.19	5.16	5.17
	No 2	5.700	3/07	106.3198	0.10	5.03	5.01	5.04
GERMANY		6.375	11/98	96.1500	0.075	6.93	6.95	6.96
FRANCE	BTAN	8.000	1/94	96.1253	0.001	9.02	9.01	9.31
	OAT	8.125	5/99	94.8800	0.130	8.94	8.94	9.14
CANADA *		10.250	12/98	98.7500	0.063	10.45	10.39	10.49
NETHERLANDS		6.7500	10/98	97.5250	-	7.11	7.08	7.17
AUSTRALIA		12.000	7/99	90.3596	0.127	13.78	13.72	13.62

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 11

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†92⅛	92⅝	0	+0⅛	10.61
B.F.C.E. 7 92	150	91½	92	0	-0¼	10.36
B.F.C.E. 9¼ 95	150	95⅞	96⅜	-0⅛	-0⅜	10.08
Brit. Tel. Fin. 9⅞ 98	250	96½	96⅝	0	-0⅜	9.96
Canada 9 96	1000	96⅜	96⅞	0	-0½	9.69
Canadian Pac 10⅝ 93	100	†100¾	101¾	-0⅛	+0⅛	10.49
C.C.C.E 9¼ 95	300	96¼	96⅜	0	-0½	10.06
C.N.C.A 9⅝ 93	150	—	—	—	—	—
Credit Lyonnais 9 91	200	†97⅝	98⅛	0	0	10.27
Credit National 8¾ 93	200	93⅜	94	+0⅛	-0⅛	10.26
Credit National 7⅞ 92	100	92⅞	92⅞	0	-0¼	10.32
Credit National 9½ 92	160	98½	99⅛	-0⅛	-0¼	9.89
Dai-Ichi Kan 9⅝ 92	150	97¾	98¼	+0⅛	0	10.30
Denmark 7⅞ 92	500	92	92⅝	0	-0⅛	10.39
E.E.C. 7 91	100	92⅝	93⅛	0	-0⅛	10.17
E.E.C. 7¼ 93	250	90⅝	91¼	0	-0⅛	10.15
E.E.C. 8 90	350	†96⅝	97⅛	0	0	10.64
E.I.B. 7⅝ 93	100	90½	91	0	-0⅛	10.18
E.I.B. 9⅝ 97	150	96⅜	96⅜	0	-0⅜	9.99
Elec. De France 9 98	200	94¼	94⅜	0	-0½	9.95
Finland 7⅞ 97	200	88⅜	88⅞	0	-0½	10.03
Finn. Exp. Cd. 8½ 92	200	95¼	95¾	0	-0⅛	10.35
Finn. Exp. Cd. 9⅜ 95	200	96	96½	0	-0⅜	10.16
Ford Motor Credit 8 91	250	†95⅝	96⅛	0	-0¼	10.44
Gen. Elec. Cap. Corp. 9 93	500	95⅝	96⅛	0	-0⅛	10.13
Gen Elec Credit 10¼ 00	200	99⅝	100⅛	0	+0⅛	10.26
Gen. Mtrs. Corp. 9⅛ 92	200	96⅜	96⅞	0	-0¼	10.41
Halifax BS 9½ 93	200	†96⅞	97⅜	0	0	10.35
IBM Credit Corp. 8⅞ 91	250	97	97½	0	-0⅛	10.10
IBM Credit Corp. 9½ 92	250	98½	99⅛	0	-0⅛	10.00
Italy 9½ 95	1000	97⅛	97⅝	0	-0⅛	10.04
Italy 9⅝ 99	1000	97¼	97¾	+0⅛	-0⅝	10.03
L.T.C.B of Japan 8 91	100	94½	95⅛	0	0	10.60
L.T.C.B. of Japan 9¼ 92	200	96⅝	97⅛	0	0	10.30
Metropolis Tokyo 9½ 93	200	98	98½	-0¼	-0⅝	10.05
Nippon Tel.&Tel. 9⅞ 98	250	96⅛	96⅝	-0¼	-0½	9.96
Norway 8¾ 93	500	95⅝	96⅛	-0⅛	-0¼	10.07
Portugal 8¼ 91	300	†95⅛	96¼	0	0	10.62
Prudential Crp. 8¾ 94	125	94⅞	95⅛	+0⅛	0	9.96
Qantas Airways 10⅜ 95	140	100⅞	101⅜	+0⅛	-0⅜	10.10
Saskatchewan 10¼ 92	100	100⅝	101⅛	0	-0½	10.36
State Bk S Aust 9¼ 93	100	96⅜	96¾	0	-0⅝	10.38
Sumitomo Bank 9⅝ 92	150	97⅝	98⅛	-0¼	-0⅜	10.34
Swed Exp Cred 7¼ 91	100	†93	93½	0	-0⅛	10.22
Sweden 7 91	250	92⅞	93⅜	0	-0⅛	10.22
Sweden 8¾ 96	200	94	94½	0	-0⅜	9.93
Sweden 8½ 92	200	†95	95½	0	-0½	10.20
Toyota 9½ 91	200	97½	98⅛	0	-0⅛	10.46
Victorian Rep 11⅝ 92	150	102⅝	103⅛	0	-0½	10.46
World Bank 7 92	300	†92½	93	-0⅛	-0¼	10.08
World Bank 9 97	300	94⅜	94⅜	0	-0⅜	9.96
World Bank 9¼ 98	300	95⅞	96⅜	0	-0⅜	9.88
World Bank 9⅝ 99	500	98	98½	0	-0½	9.90
Yasuda Trust Fin 8½ 93	100	†93⅛	93⅞	0	-0⅛	10.42

Average price change... On day 0 on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	97⅝	98⅛	0	+0¼	6.42
Austria 6¾ 99	750	99⅛	99¼	0	0	6.87
Bank of Tokyo 5¾ 93	100	96¾	97¼	0	0	6.65
Commerzbank o/s. 5⅝ 93	300	96½	97	0	+0¼	6.37
Credit Foncier 6¾ 99	500	99	99¼	0	0	7.88
Degussa Int. 6⅛ 97	200	96	96⅜	+0⅛	+1⅞	6.70
E.I.B 5½ 98	150	91	91⅝	+0½	-0⅛	6.83
E.I.B. 6¼ 99	600	96⅛	96⅜	+0⅛	+0⅛	6.78
E.I.B. 6⅛ 96	300	96¾	97½	0	+0¼	6.63
E.I.B. 6½ 99	300	97⅝	97⅞	0	0	6.82
E.I.B. 6⅞ 95	300	100¾	101½	+0⅛	+0⅛	6.65
Euro.Coal& Steel 5⅞ 97	175	94⅜	95⅛	-0⅛	0	6.75
Eurofima 6⅛ 96	100	97⅝	98⅜	+0¼	-0⅜	6.60
Elec De France 5¼ 97	300	93⅝	94⅛	-0⅛	-0¼	6.74
Forsmark Krig. 5⅛ 93	200	94⅜	95	0	+0⅛	6.70
Hydro-Quebec 6½ 99	300	99	99⅛	-0⅛	-0⅛	6.89
Japan Dev. Bk. 5⅜ 95	300	93⅜	94⅛	-0⅛	+0⅛	6.66
Japan Finance 5¾ 97	100	93¼	93¾	+0⅛	-0⅛	6.84
Ireland 6½ 97	300	97½	98	+0⅛	-0¼	6.87
Malaysia 6¼ 94	150	100⅝	101⅜	0	0	6.01
Nat. West BK. PLC 6 98	300	93⅝	94⅜	-0⅛	-0⅛	6.91
N.H.L. Finance 6¼ 95	200	†95¾	96¼	0	0	7.02
Nippon Telg.&Tel. 6 95	400	97½	98¼	-0⅛	-0⅛	6.23
Oesters. Kontbk. 5 93	300	95½	96⅛	-0⅛	-0⅛	6.28
Portugal 5¾ 92	150	97	97⅝	0	-0¼	6.69
Portugal 6⅝ 95	150	98⅝	99⅜	-0¼	+0⅛	6.82
Privatbanken 5¼ 93	150	95⅝	96¼	+0⅜	+0⅜	6.48
Royal Insurance 5½ 92	300	97¼	97¾	-0⅛	-0⅜	6.44
Soc Cent Nucleair 7⅛ 95	150	100⅞	101½	+0¼	0	6.99
Turkey 6⅛ 95	500	96⅞	97⅝	+0⅛	+0⅛	7.07
Union Bk.Finland 5½ 94	200	94⅜	94⅞	0	0	6.85
Westlb. Finance 5 93	200	†95	96	0	+0⅞	6.34
World BK. 6¼ 97	600	97⅛	97⅝	0	-0⅛	6.86

Average price change... On day 0 on week +0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†94	95	-1½	-1¼	5.95
Asfinag 5 03	100	†93	93½	+0¼	+0½	5.70
B.F.C.E. 4½ 98	200	†91	92	-0⅞	-0⅜	5.70
B.M.W.Fin.Neth. 5 13	150	†86½	87¼	-1	-1¼	6.05
Britannia B/S. 4¾ 94	100	†92¼	92½	-0⅞	-0¾	6.01
CIR. Int. W/W 3 93	125	†92	92¼	-0⅝	-1¼	5.09
Credit Lyonnais 4¾ 00	100	†89¾	90	-0⅝	-0⅞	6.02
E.I.B 4⅝ 98	150	†91	92	-0⅝	-2	5.84
Fletcher Chall. 4⅞ 98	150	†88	88¼	-1⅝	-2½	6.67
Kobe City 4⅝ 98	150	†91½	92	-1⅞	-1½	5.80
Leeds Perm. B/S. 4⅛ 93	200	†91¾	92	-0⅝	-0½	6.49
Malaysia 5¼ 98	100	†94	95	0	0	6.04
Maxwell Comm.Crp. 5 95	150	†93½	94½	-1¼	-1	6.19
Nat. Bk. Hungary 5½ 94	75	†97½	98½	+0¼	-0⅛	5.92
Nationwide Ang. B/S. 4 93	200	†92⅝	93	+0⅝	0	6.01
Nippon Telg.&Tel. 4⅛ 95	200	*†94¾	94¾	0	-0¼	5.23
Oesters. Ktbk. 5 03	75	†92½	93½	-1⅛	-1⅜	5.73
Prov. Newfoundland 5 03	150	†94	95	-1	-1⅜	5.55
Thailand 4⅝ 95	200	†93	93½	-0¼	-0½	5.94
World Bank 5 03	150	†95	95½	-0¼	-1⅝	5.48

Average price change... On day -0⅝ on week -0⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101¾	102	+0⅛	-0⅛	5.03
Canada 5⅝ 93	80	102	102¼	+0⅛	-0⅛	5.05
Eurofima 5 1995	20	98⅞	99⅜	0	-0⅛	5.17
E.I.B. 4⅞ 93	30	98⅞	99⅛	0	-0⅛	5.16
Ireland 5⅛ 93	30	99¾	100¼	0	-0⅛	5.12
Norway 5⅛ 95	50	99⅞	100⅛	0	-0⅛	5.12
Sweden 4⅝ 93	50	98	98¼	+0⅛	-0⅛	5.34
World Bank 5⅛ 98	10	99⅜	100	-0¼	-0⅜	5.18
World Bank 7 94	20	107⅞	108⅜	0	-0¼	5.13

Average price change... On day +0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10⅛ 93 £	50	95⅜	96⅛	-0⅛	-1⅛	11.62
Abbey Nat. 11⅛ 95 £	100	98⅜	98⅞	0	-0½	11.94
Alg. Bk. Ned. 5½ 92 FL	150	95¼	95¾	0	0	7.30
Alg. Bk. Ned. 5¾ 93 FL	200	96¾	97¼	0	-0⅜	6.64
Austria 7½ 94 ECU	100	†95½	95⅝	0	-0¼	8.68
Bk.Nova Scot.14¾ 90 A$	75	95⅞	96⅜	0	+0⅜	17.12
Barclays Aus.13½ 91 A$	100	95¼	95¾	-0⅛	0	15.68
BP Capital 9¾ 93 £	100	93⅜	93⅞	-0⅛	-0⅛	11.84
British Airways 10 98 £	100	91⅝	92⅛	0	-0½	11.50
Buhrmann-Tet. 6⅛ 93 FL	100	96⅞	97⅜	0	+0¼	7.17
Comm.Bk.Aust. 12⅝ 93A$	100	91¾	92⅜	-0¼	0	14.19
Coop.Ctr.Rabo.6¼ 93 FL	100	98⅞	99⅜	0	+0½	6.51
Coop.Ctr.Rabo.6 92 FL	200	97½	98	0	0	6.79
Dixons 11 95 £	90	†96	96½	0	-0¼	11.75
Deut.Bk.Aus. 13⅝ 93 A$	125	97¼	97¾	-0⅛	+1¼	14.08
Eastman Kodak 13 90 A$	100	†95¼	95¾	0	+0⅛	16.73
E.I.B. 7 96 LFr	100	†96⅝	97⅛	-0⅝	-0⅛	7.55
Elec.France 10¼ 95 C$	125	†96	96½	+0¼	-0⅛	11.11
Euratom 7⅜ 97 ECU	145	91⅛	91⅝	0	-0⅜	8.90
Fed.Bus.Dv.Bk.9¼ 92 C$	75	†95¼	95⅞	0	-0¼	11.56
Fed.Bus.Dev.Bk.10½ 93	50	96½	97	+0¼	-0⅛	11.48
Ford Cr.Can.10⅛ 93 C$	100	†97⅛	97¾	+0⅛	-0¼	11.57
Ford Cred.Can.10⅞ 96C$	125	97⅞	97⅞	+0⅛	-0⅛	11.38
Ford Mtr.Cred.7½ 91ECU	100	*†96	96½	0	-0⅜	9.15
G.M.A.C. 9⅝ 93 C$	150	†93¾	94¼	+0⅛	-0⅞	11.67
Honda Intl. 7⅞ 93 Ecu	100	†96½	97	0	+0¼	8.74
Hydro-Quebec 11 99 C$	400	98¼	98¾	+0⅛	+0⅛	11.22
Lloyds Bank 10⅛ 98 £	150	92	92½	-0¼	-1¼	11.69
Lloyds Bank 11⅜ 98 £	100	96⅛	96⅝	0	-1⅜	12.00
Montreal Tst.10¼ 93 C$	100	†96¼	96¾	+0¼	0	11.81
Morgan Guar.Tst. 11 91 C$	150	98⅜	98¾	+0⅛	-0⅛	11.92
Nat. Aus. Bk. 14⅛ 94A$	100	97¾	98⅜	-0⅛	-0⅞	15.32
Ned. Midd.Bank 6 92 FL	150	96¼	96⅝	0	-0⅛	7.40
New Zealand 9½ 93 £	100	92½	92⅞	0	-0⅛	11.89
New Zealand 7¾ 93 ECU	200	96⅝	97⅛	-0⅛	-0⅜	8.72
Philips Gleoil. 6 93 FL	300	97⅛	97½	0	+0½	6.74
Privatbanken 7½ 94 LFr	500	†97¾	98¼	-0½	-0½	7.94
Royal Bk.Scot.10⅝ 98 £	125	94⅜	94⅞	+0¼	-1¼	11.67
Saskatchewan 9⅞ 91 C$	150	†96	96½	-0⅛	-0⅛	11.79
Saskatchewan 10¼ 93 C$	200	96⅛	96½	+0⅛	+0½	11.30
State Bk.NSW. 13⅞ 93A$	100	94⅜	94⅞	-0½	0	15.51
Sweden 15 94 A$	100	101½	102	-0¼	+0¼	14.46
Union Bk. Switz. 7½ 93	150	*†96	97	0	0	8.42
World Bank 5¾ 92 FL	100	97½	98	0	+0⅛	6.61
World Bank 13⅜ 92 A$	100	†99¼	99¾	-0⅜	+1¼	13.50
Zentrspk. 13¼ 93 A$	75	96	96½	0	+0½	14.38

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.75	99.80	18/04	13.21
Belgium 91 US	0	100.04	100.14	19/08	10
Chase Manhattan Crp.91 US	0¼	99.35	99.60	20/08	9.94
Chelt.& Gloucester 94	.063	99.77	99.82	30/05	13.47
Citicorp 98 US	0¼	98.30	98.55	29/05	10.33
Credit Foncier 98 US	.063	99.92	100.02	20/04	8.44
EEC 3 92 DM	0	100.83	100.93	20/08	6.72
Halifax BS 94 £	.1	99.92	99.97	6/05	13.07
Inst. In Industry 94 £	0⅛	99.96	100.06	24/05	13⅛
Leeds Perm. B/S. 94 £	0⅛	100.04	100.09	13/04	13.37
Midland Bank 01 £	.1	97.91	98.29	7/05	13.1
Milk Mkt.Brd. 5 93 £	0⅛	99.90	99.95	30/12	12.06
New Zealand 5 97 £	.07	100.00	100.10	14/11	12.19
State Bk. Nsw. 98 US	.188	100.22	100.32	11/08	9.94
Woolwich Equit.BS. 93 £	0⅛	99.96	100.01	13/04	13.37
Woolwich 5 95 £	0⅛	99.88	99.93	19/05	13.12

Average price change... On day +0.00 on week -0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	110¼	111¼	-0¼	14.31
Amer. Brands 7⅛ 02 US	9/87	56.7	119¼	120⅛	-0⅜	2.00
Ashikaga Bank 2⅛ 02 US	4/87	967.	135⅝	137	-0¼	2.43
Asics 5 92 DM	12/83	472.7	239½	240⅞	+0⅛	8.80
CBS. Inc. 5 02 US	†4/87	200.	95⅝	96⅝	+0⅛	5.40
Comm.Credit 5½ 02 US	4/87	66.75	64⅛	65⅛	-0¼	103.78
Eng.China Clay 6¾ 03 £	9/88	4.8	107¼	108¼	-0⅜	0.62
Fujitsu 3 99 US	5/84	1106.	223¼	224½	+3⅛	1.30
Land Secs. 6¾ 02 £	6/87	6.72	94	95	-0½	14.01
MCA INC 5½ 02 US	9/87	69.62	95⅛	94⅞	+0⅛	16.82
Minolta Camera 2¼ 94 DM	2/86	1004.	118¼	119¼	+4¼	8.56
Mitsubishi Bk. 1¼ 02 US	9/87	3157.	120½	122½	+0⅛	8.48
Mitsui trust 2¼ 01 US	10/86	1989.	131⅛	132⅛	+0⅛	6.38
Next Plc 5¼ 03 £	11/87	4.3	98¼	99¼	-0⅛	201.53
Nikki Nipp.Bk 2⅞ 03 US	4/88	894.	118⅞	119⅞	+0⅛	5.25
Omron Tateisi 2⅛ 02 US	4/87	1310.	226⅜	227⅞	+7¼	2.97
Ranks Hovis 4¾ 03 £	†1/88	3.5	112	113	-1¼	4.72
Rutland 7¼ 02 £	1/87	5.4	100¼	101¼	-0⅛	4.82
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	93½	94½	+0⅛	48.96
Sumitomo Bank 3¼ 04 US	2/89	4296.	91½	92¼	-1¼	16.37
Texas Inst. 2⅞ 02 US	9/87	82.87	72¼	73¼	-0⅛	58.17
W.R. Grace 6¾ 02 US	9/87	42.12	92⅛	93⅛	0	22.26

* No information available-previous day's price

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

AIBD rules for global equity trade considered

By Stephen Fidler

THE Association of International Bond Dealers, the Eurobond dealers' trade association and a designated investment exchange in the UK, is considering guidelines for the trading of international equities.

Mr John Wolters, AIBD secretary general, said yesterday that guidelines were being considered by a specialist committee of the association. They could be agreed by the end of the year, for possible introduction in 1990.

Demand for such guidelines arose after international share offerings - such as that of Reuters - where there was significant trading among large institutions until the market settled down. In attempting to deal across borders, some traders adopted AIBD bond dealing rules to trade equities.

Mr Wolters told an International Financing Review conference on the European capital market that, unlike the rules for AIBD-registered securities, the equity trading guidelines could not be compulsory.

He played down suggestions that the association was setting itself up as a competitor to stock exchanges, since for an initial period after the launch of an equity issue most activity would be on domestic stock exchanges.

● A single European capital market might reduce arbitrage opportunities for borrowers, a senior World Bank official said.

Mrs Jessica Einhorn, director of financial operations, told the conference, however, that this could yield other benefits to reduce borrowing costs.

The World Bank had decided to divide its assets and liabilities into three blocs: US dollar, yen and D-Mark, including the Swiss franc and guilder. The Bank saw no advantage in passing on the costs of high-coupon European currencies to its developing-country borrowers.

She said the currency of the liability should not be confused with the currency of borrowing, since the Bank used the market in currency and interest rate swaps.

The Bank "enjoyed its swap programme" but limited its use for two factors: it would only operate with counterparties having at least an AA rating (AAA in the case of corporate counterparties) and it wanted to continue a regular borrowing programme in major currencies to establish long-term investor support.

Tokyo futures exchange takes on 253 members

THE Tokyo Financial Futures Exchange, which is to begin trading in June, has accepted 91 applicants as clearing members and 162 as non-clearing members, Reuter reports.

A total of 67 Japanese banks and 15 Japanese securities houses, four foreign futures brokers and five foreign banks and securities houses have been accepted as clearing members. Non-clearing members include 70 banks, 18 life insurance companies, 17 non-life insurers and eight money houses and credit associations, all of them Japanese.

Forty-three Japanese securities houses and eight foreign banks and brokerages have also been accepted as non-clearing members.

The exchange is due to begin trading either on June 23 or June 30 with contracts in three-month Euroyen deposits, three-month Eurodollar deposits and yen-dollar exchange rates.

Kleinwort sets up aircraft finance unit

By Our Euromarkets Staff

KLEINWORT Benson, the UK merchant bank, said yesterday it had established a specialist aircraft finance and leasing subsidiary.

The subsidiary, to be called Airstream Finance, was established "to bridge the gap between traditional financial institutions and the aviation industry by combining financial know-how with aircraft/airline expertise," Kleinwort said.

Many financial institutions had only limited knowledge of the aviation industry, while many specialist firms lacked influence with financing institutions, it added.

The subsidiary would aim to arrange and manage financial packages to support manufacturers, distributors and traders, to provide financing to corporations and airlines, and to offer financial consultancy services to the aviation industry.

INTERNATIONAL CAPITAL MARKETS

Spreads on new dollar deals continue to widen

By Norma Cohen

INVESTOR anxiety over the state of the US economy and currency are keeping activity in the dollar sector of the Eurobond market to a minimum, particularly ahead of key economic data due out on Friday.

However, the muted trading environment still leaves room for new dollar paper, albeit with spreads over US Treasury bonds continuing to widen. Traders believe the wider spreads seen on new dollar Eurobonds since early March reflect European investors' scepticism about the recent ebb in Treasury bond yields.

But for high-quality borrowers with appropriately priced deals, there is indeed a market. IBM Credit Corp issued a $200m three-year Eurobond via Credit Suisse First Boston bearing a coupon of 10 per cent and priced at 100⅞ to yield 40 basis points over Treasuries.

By the close, the issue was seen trading comfortably inside its 1⅞ per cent fees at less 1.31 per cent. CSFB chose to syndicate the deal in the traditional method, allocating bonds to members of a syndicate who are also free to sell bonds via Eurobond brokers.

Members of the syndicate said it was the first time CSFB had used this method since it announced its "take-and-pay" system in early March, aimed at preventing members of a syndicate group from dumping their bonds in the brokers' market instead of placing them with end-investors.

Traders, who described the issue as well priced, said the reversion to traditional syndication methods suggested there was little wrong with the system that appropriate pricing would not address.

INTERNATIONAL BONDS

Finnish Export Corp issued a $100m five-year Eurobond via Fuji International bearing a coupon of 10¼ per cent and priced at 101⅞ to yield 61 basis points over Treasuries. The issue was trading comfortably inside its 1.875 per cent fees at less 1.80 per cent.

Meanwhile, high-coupon currencies are dominating the new-issues calendar, with investors calculating that the yields compensate for the uncertainties about inflation or currencies that are cropping up in dollar and sterling deals.

Caisse Nationale des Télécommunications, the French state telecommunications agency, issued a FFr1bn nine-year Eurobond fungible with an identical FFr1bn tranche issued a year ago, forming the largest Euro-Franc issue in the market.

The bonds carry a coupon of 9 per cent and are priced at 100⅞ to yield 23 basis points over the 9¼ per cent OAT due 1998, a yield pick-up of about 15 basis points over the outstanding tranche. The issue closed comfortably inside 2 per cent fees at less 1.95 per cent bid.

Yamaha Motor Finance Corp USA issued a NZ$60m five-year bond via Hambros Bank bearing a 13¾ per cent coupon. The deal, guaranteed by Fuji Bank, is priced at 102 to yield six basis points below New Zealand government bonds.

Bacob Finance NV, the financing arm of the Belgian savings bank, issued a Ecu50m three-year Eurobond via Nomura International bearing a 9 per cent coupon and priced at 101⅝ for an annualised yield to investors of 8.902 per cent. Late in the day, the deal was increased to Ecu80m.

Council of Europe issued the first fixed-rate D-Mark Eurobond in three weeks, a DM150m 10-year deal via BHF Bank. The deal carries a coupon of 6⅞ per cent, about ⅛ more than that assigned to the last round of 10-year deals for top-quality borrowers.

The issue closed inside 2¼ per cent fees at less 2.10 per cent, after having traded as high as less 1.95 per cent below its issue price.

Bank of England sticks to buying-in guns

Simon Holberton on attitudes, official and otherwise, to the gilts buy-back programme

Last week's announcement by the Bank of England that it intends to hold two, possibly more, reverse auctions for gilt-edged securities effectively ends hope that the Government might embark on a radical public rationalisation of the market in the foreseeable future.

The extent to which this was ever a possibility was probably over-estimated: the message coming from the Bank is that it intends to manage the contraction in the market through auctions and its usual secondary market activities. To do anything more ambitious would risk the market moving against it.

The stock of gilt-edged securities in the hands of the market currently has a value of about £130bn ($221bn). This financial year it will contract by at least 10 per cent — having fallen by as much last financial year — and by about the same amount next year.

Contraction at this rate raises a number of issues which go to the heart of the market's efficient operation. Unsupervised, some claim, it threatens the market's liquidity and the ability of its primary dealers and investors to trade it rationally. Although the Government has no current use for the gilts market, a degraded market may be one which it has difficulty in rehabilitating when borrowing needs arise in the future.

The Bank grows irritated with these sentiments. It denies that its buying-in activities, for example, have lessened the liquidity of any stock.

Buying-in, it says, has been spread across a whole range of stock, the net effect of which is that actual outstanding amounts of only a few stocks are materially different from brokers' lists of stocks outstanding. Officials agree, however, that should the buy-in requirement be such that the amount of stock in the market's hands was markedly different from what the market believed was outstanding, it would consider publishing updated lists.

Furthermore, when the Bank buys some of the market "runners," such as the Treasury 11¾ per cent 2003/07, it often finds those stocks released back into the market through switches it is prepared to conduct. In essence, the Bank is letting the market self-select the stock it does not want to trade and seems to be hoping the market will facilitate the hoped-for rationalisation.

In last month's Budget, Mr Nigel Lawson, the Chancellor, indicated that the Government was thinking seriously about the gilts market and its future. He re-stated the "full funding" policy — broadly, this would require the redemption of gilts equivalent to the public sector borrowing repayment — and said that gilts bought by the Bank would be cancelled.

Intriguingly, the Chancellor said it was now possible for the authorities to pay more attention to the "structure of the remaining debt" to secure lower servicing costs and to improve the quality of the debt by reducing reliance on borrowing in the form of liquid instruments.

Attention would also be paid to smoothing the profile of gilt redemptions.

He justified the Bank's past purchases of long-dated gilts on "current relativities and expected future yields." But the purchase of longs also meant the authorities secured "greater debt interest savings."

Most importantly for the Bank and the market, however, Mr Lawson denied in his Budget speech that it was the Government's intention to pay down the national debt and said it would seek to return to budget balance when economic conditions permitted. Repayment of debt, although beneficial in terms of future debt interest savings, was a short-term consequence of not being able to cut rates of taxation.

But his comments on buying-in have met strong resistance in some quarters. The Bank is not being as efficient and cost conscious as it could be, claim some, while others note the spurious nature of much official justification for what is done.

Economists at Morgan Grenfell believe that the assumptions underpinning the Government's justification for purchasing long-dated gilts are wholly unrealistic. Through the analysis of differentiated yield curves they show that the authorities' activities are cost effective only "if they believe six-month interest rates in the early part of the next century will be below 6.5 per cent."

Moreover, by the same analysis, they show that the optimum maturity for buying in is around the 12-year area. The differentiated yield curve implies significantly higher short-term interest rate than 6.5 per cent at that point.

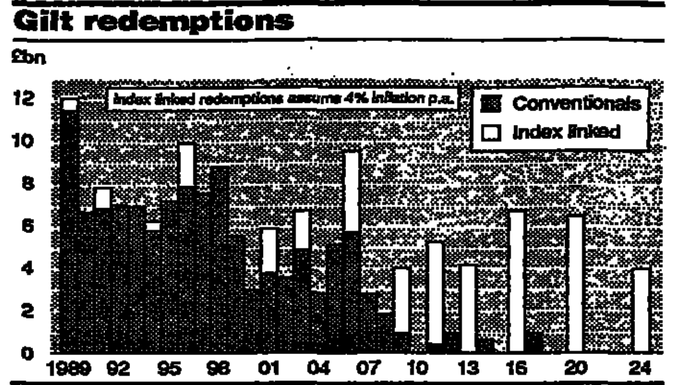
Mr Glenn Davies, economist at CL-Alexanders Laing & Cruickshank, believes the Bank should concentrate its activities in the medium-dated area of the market, but for slightly different reasons.

If the authorities want to smooth the profile of redemptions then they have to buy in relatively more medium-dated stock than any other area of the market. Given that most companies do not want to borrow for more than 10 years, purchases of gilts in this area of the market might lead to lower yields and hence stimulate long-term corporate borrowing.

But in an analysis of different buy-in strategies, Mr Davies shows that the theoretical saving from buying in seemingly costlier stocks is equal to what it pays out on notionally "cheaper" stocks.

"At the end of the day it makes no difference to total costs whether the Government buys high- or low-coupon stocks. To choose to buy-in the high-coupon bond, the Government must be attaching some other value to the coupon savings other than implied by money market rates," he says.

Gilt redemptions



NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
IBM Credit Corp.◆	200	10	100⅞	1992	1⅛/⅞	CSFB
Finnish Export Credit◆	100	10¼	101⅞	1994	1⅞/1¼	Fuji Int.
Yamazen Co.♦	100	(4⅝)	100	1993	2¼/1½	Yamaichi Int. (Europe)
Tobu Railway Co.(f)♦◆	300	4⅞	100	1994	2¼/1½	Yamaichi Int. (Europe)
Hoya Corp.(g)♦◆	150	4½	100	1993	2¼/1½	Nomura Int.
Zenchiku Co.(g)♦◆	100	5	100	1994	2¼/1½	Daiwa Europe
CANADIAN DOLLARS						
Interfinance Cr.National◆	75	11½	101½	1994	1⅞/1¼	Nomura Int.
NEW ZEALAND DOLLARS						
Yamaha Motor Fin.Corp.◆	60	13¾	102	1994	2/1¼	Hambros Bank
FRENCH FRANCS						
Caisse Nat.Tel.(h)◆	1bn	9	100⅞	1998	2	CCF
D-MARKS						
Council of Europe(a)◆	150	6⅞	101⅝	1999	2¼/1½	BHF-Bank
SWISS FRANCS						
Kurogane Kosakusho(b)★★§	30	(½)	100	1994	n/a	Royal Trust Bank (Switz)
GUILDERS						
EEC(d)◆	120	7¼	101½	1995	1⅞/1¼	ABN
YEN						
Toronto-Dom. Bk Cayman(e)◆	3½bn	7½	101⅞	1994	1⅞/1¼	LTCB Int.
ECUs						
Bacob Finance◆	80	9	101⅝	1992	1⅜	Nomura Int.

★Not yet priced. ★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. a) Call after 5 years at 100¼. b) Indicated put 30/11/91 at 104⅛ to yield 2.158%. c) Coupon cut by ⅛%. d) Non-callable. e) Redemption linked to Nikkei stock index. Call 1992. f) Coupon cut by ⅛%. g) Coupon cut by ¼%. h) Fungible with FFr1bn issue launched July 1988.

Sharp profits drop at Amex

THE American Stock Exchange suffered a sharp drop in profits last year in comparison with the best-ever result turned in for 1987, Reuter reports.

On revenues of $102.8m, Amex net income for 1988 tumbled to $2.6m from $8.2m in 1987, when revenues totalled $114.5m. The exchange's daily volume last year was 9.9m shares, down from 13.9m in 1987.

At the end of 1988, Amex had 896 listed companies, 429 of which were listed within the past five years and which accounted for 47 per cent of total volume. During the year Amex picked up 66 transfers from the OTC market.

French Ecu1bn bond to be placed locally

By George Graham in Paris

MR Pierre Bérégovoy, the French Finance Minister, has confirmed the launch of his Government's first Ecu bond, at the end of this month or in mid-May.

Mr Bérégovoy said the bond issue could be up to Ecu1bn in size and would be lead-managed by Crédit Lyonnais, the state-owned commercial bank, and Banque Paribas, the privatised investment bank. Its maturity and terms had yet to be fixed.

The minister said the bond would be placed in France, not in the Euromarkets, and would be widely offered to individual investors.

France has always played an active role in the Ecu market, with French borrowers accounting for Ecu6.4bn of the Ecu36.4bn of bonds outstanding, as recorded by the Bank for International Settlements at the end of September. French banks, encouraged by the Government, account for 40 per cent of outstanding private sector Ecu borrowings.

The arrival of the French Government in the market with a single, large issue is expected to help liquidity.

● The Bank of England, which launched its Ecu Treasury bill programme in October, would welcome other borrowers in the market, Mr Ian Plenderleith, an assistant director of the Bank, said yesterday, Stephen Fidler writes.

"Our experience so far suggests that there is an appetite for short-term paper in Ecu which could accommodate a larger number of issuers," he said.

Turnover among the 26 market makers in UK Government Ecu Treasury bills has been running at about Ecu1.75bn a month, while transactions between market makers and others have been about Ecu2bn monthly.

Investor interest has been increasing since the programme was first launched last October.

The amount of outstanding paper has grown from Ecu900m to Ecu2.4bn, while dealer inventories have remained relatively steady, Mr Plenderleith said.

Along with the Ecu800m of bills issued in yesterday's tender, a further Ecu125m — Ecu75m of three-month bills and Ecu50m of six-month bills — were allotted to the Bank for lending to market makers.

Bills will only be available for lending, and Mr Plenderleith said the Bank would take care not to undercut the repurchase facilities some market makers were developing by charging a higher rate than market makers offering repurchases.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Apr 11 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Apr 10 Index No.	Fri Apr 7 Index No.	Thu Apr 6 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	918.02	+0.3	10.71	4.12	11.40	7.22	915.27	926.07	932.19	756.54
2	Building Materials (29)	1171.45	+0.3	11.32	4.02	10.80	3.92	1167.56	1186.59	1193.66	1020.20
3	Contracting, Construction (38)	1662.91	-0.8	12.53	4.11	10.45	14.65	1676.11	1701.05	1722.97	1580.49
4	Electricals (10)	2683.19	-0.3	8.40	4.47	14.65	2.99	2692.42	2716.49	2710.71	1993.40
5	Electronics (30)	2053.58	+1.0	9.19	3.26	14.10	12.62	2032.83	2061.53	2064.77	1499.51
6	Mechanical Engineering (54)	496.92	+0.2	10.45	4.07	11.70	4.94	495.71	501.59	506.68	394.16
8	Metals and Metal Forming (7)	528.36	-0.2	14.52	5.63	7.70	0.00	529.29	533.29	535.49	454.53
9	Motors (17)	301.60	-0.1	12.11	4.96	9.58	4.05	302.00	304.73	307.24	275.71
10	Other Industrial Materials (22)	1519.10	+0.6	9.60	4.44	12.29	21.63	1510.25	1525.95	1531.17	1267.09
21	CONSUMER GROUP (186)	1154.54	+0.4	9.19	3.76	13.63	5.74	1149.98	1157.27	1162.52	1055.11
22	Brewers and Distillers (22)	1250.94	......	10.34	3.67	12.23	5.36	1251.18	1264.40	1263.51	1076.83
25	Food Manufacturing (20)	1004.76	+0.5	9.50	4.05	13.12	10.15	999.28	1005.92	1010.42	819.60
26	Food Retailing (15)	2000.65	+0.5	9.00	3.51	14.50	8.97	1989.73	1998.44	2006.34	2102.93
27	Health and Household (14)	2230.70	+1.1	6.41	2.62	17.85	7.33	2207.46	2192.62	2200.10	1831.04
29	Leisure (33)	1568.19	+0.3	7.71	3.42	16.32	13.42	1562.99	1586.78	1597.89	1285.75
31	Packaging & Paper (16)	563.00	+0.5	10.47	4.27	11.66	5.04	559.93	568.41	574.66	485.86
32	Publishing & Printing (18)	3561.23	+0.1	9.02	4.53	13.80	5.06	3557.26	3591.77	3618.80	3395.45
34	Stores (33)	738.23	-0.1	11.79	4.75	11.12	1.75	739.15	747.00	751.30	831.80
35	Textiles (15)	586.47	+0.4	12.21	5.58	9.95	0.38	584.63	586.18	513.82	574.85
40	OTHER GROUPS (94)	1044.37	+0.3	10.36	4.32	11.77	8.37	1041.43	1054.61	1060.88	883.49
41	Agencies (18)	1268.49	+1.3	8.40	2.69	15.23	12.34	1251.79	1252.04	1255.82	1183.25
42	Chemicals (22)	1188.29	-0.4	11.23	4.95	10.70	21.38	1193.24	1198.13	1207.80	1011.86
43	Conglomerates (11)	1477.56	+0.6	10.34	4.95	11.18	4.76	1469.11	1481.59	1494.72	1174.67
45	Transport (13)	2328.50	-0.1	8.54	3.70	15.02	16.45	2331.42	2347.10	2367.91	1816.64
47	Telephone Networks (2)	1090.75	+0.8	10.76	4.31	12.00	0.00	1081.73	1110.65	1100.58	967.55
48	Miscellaneous (28)	1431.56	-0.2	10.92	4.12	10.41	21.18	1434.45	1453.54	1471.70	1152.83
49	INDUSTRIAL GROUP (487)	1082.69	+0.3	9.94	4.02	12.42	7.19	1079.05	1089.72	1095.46	941.75
51	Oil & Gas (13)	1933.29	+0.2	10.24	5.75	12.52	40.19	1929.84	1942.09	1945.97	1860.10
59	500 SHARE INDEX (500)	1154.99	+0.3	9.98	4.24	12.44	9.85	1151.34	1162.26	1167.84	1019.15
61	FINANCIAL GROUP (123)	725.66	-0.1	-	5.25	-	12.54	726.53	733.58	737.22	664.30
62	Banks (8)	713.05	-0.5	23.91	6.67	5.50	20.55	716.77	722.81	725.03	623.21
65	Insurance (Life) (8)	1051.79	+0.7	-	5.61	-	25.72	1044.68	1061.57	1068.75	970.74
66	Insurance (Composite) (7)	584.03	-0.2	-	5.76	-	10.03	585.10	592.49	592.90	539.20
67	Insurance (Brokers) (7)	930.01	+0.2	9.00	6.78	14.69	16.30	928.14	943.18	947.00	862.00
68	Merchant Banks (11)	326.42	-0.1	-	4.59	-	3.61	326.86	331.63	332.86	338.97
69	Property (52)	1287.87	+0.2	5.80	2.71	21.93	4.14	1285.69	1294.29	1303.83	1133.99
70	Other Financial (30)	360.21	-0.6	10.05	5.02	12.53	3.56	362.29	365.47	368.45	394.26
71	Investment Trusts (73)	1077.55	-0.1	-	2.91	-	6.82	1078.52	1083.57	1086.44	873.66
81	Mining Finance (2)	651.38	-0.8	8.90	3.91	12.41	10.45	656.40	674.80	673.80	464.12
91	Overseas Traders (8)	1361.58	-0.4	8.63	5.18	13.54	15.93	1367.58	1378.27	1373.75	1019.66
99	ALL-SHARE INDEX (706)	1050.65	+0.2	-	4.35	-	10.42	1048.43	1058.56	1063.38	925.16

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 10	Apr 7	Apr 6	Apr 5	Apr 4	Year ago
FT-SE 100 SHARE INDEX‡	2031.3	+6.3	2031.3	2001.5	2025.0	2045.7	2052.5	2078.2	2082.8	1805.3

FIXED INTEREST

	PRICE INDICES	Tue Apr 11	Day's change %	Mon Apr 10	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.35	-0.02	117.38	-	3.66
2	5-15 years	132.98	-0.15	133.19	-	3.36
3	Over 15 years	143.44	-0.06	143.97	0.44	5.35
4	Irredeemables	168.38	+0.02	168.34	-	1.51
5	All stocks	130.55	-0.10	130.73	0.05	3.73
	Index-Linked					
6	5 years	132.74	....	132.74	-	1.36
7	Over 5 years	132.61	-0.07	132.70	-	0.99
8	All stocks	132.50	-0.07	132.59	-	0.99
9	Debentures & Loans	114.63	-0.31	114.99	-	2.20
10	Preference	88.69	-0.06	88.74	-	1.83

	AVERAGE GROSS REDEMPTION YIELDS		Tue Apr 11	Mon Apr 10	Year ago (approx.)
	British Government				
1	Low	5 years	9.72	9.68	8.47
2	Coupons	15 years	9.30	9.30	8.96
3		25 years	9.16	9.17	8.87
4	Medium	5 years	10.79	10.75	8.87
5	Coupons	15 years	9.75	9.73	9.17
6		25 years	9.33	9.32	9.09
7	High	5 years	10.91	10.87	8.97
8	Coupons	15 years	9.97	9.95	9.31
9		25 years	9.50	9.50	9.08
10	Irredeemables†		9.21	9.21	8.74
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.62	3.61	2.20
12	Inflation rate 5%	Over 5 yrs.	3.60	3.59	3.71
13	Inflation rate 10%	5 yrs.	2.75	2.74	1.33
14	Inflation rate 10%	Over 5 yrs.	3.44	3.43	3.56
15	Debs &	5 years	12.55	12.22	10.70
16	Loans	15 years	11.83	11.70	10.51
17		25 years	11.19	11.19	10.51
18	Preference†		10.12	10.12	10.04

‡Opening index 2017.1; 10 am 2005.2; 11 am 2009.8; Noon 2016.5; 1 pm 2022.1; 2 pm 2024.4; 3 pm 2022.6; 4 pm 2027.8; 4.05 pm 2027.6 (a) 5.01pm (b) 9.52am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	76	19
Corporations, Dominion and Foreign Bonds	0	11	33
Industrials	330	531	716
Financial and Properties	125	193	340
Oils	16	35	46
Plantations	1	3	8
Mines	34	51	98
Others	49	92	101
Totals	569	991	1,361

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
101½p	F.P.	-	101¼p	99¾p	C.H. Industrial 9¾pc Cm. Rd. Pf. £1	99¾p	
101p	F.P.	-	103¼p	101½p	Eng. & Int'l. Tst. 8¾pc Cm. Pf	101½p	
‡	nil/pd	5/5	310p	267p	Enterprise Fin. '89 Units Var. Call	272p	+1
100	F.P.	-	109½	105⅛	First Scots. American 11½pc Db 2016	105⅛	-1⅛
100p	F.P.	-	99¾	95⅛	Greenall Whitley 10pc Deb 2014	95⅜	+⅛
103.57	F.P.	-	103⅛	99½	LETINVEST 10⅛-11¼pc Stppd Db 2012	99½	
-	F.P.	-	100	99⅝	N'wide Anglia 12⅝pc 26.2	99⅝	
-	F.P.	-	100	99⅞	Do. 12¾pc 19.3.90	99⅞	
£99.1	£25	-	27⅝	25	Do. 4.25pc Index-Linked 2024	27⅛	
100p	F.P.	-	121p	105p	Sidlaw Grp. 8.5p (Net) Cr Cm Rd Pf	121p	
92.52	£30	-	30⅛	26⅛	Taylor Woodrow 9½pc 1st Mtg Db 2014	26⅛	-1⅛
97.10	£30	4/5	30⅛	26⅛	Tops Ests. 10¼pc 1st Mtg Db 2011/16	26⅝	+⅛

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
20	Nil	14/4	41pm	33pm	§Cosmac Group 5p	40pm	
160	Nil	-	22pm	17pm	Fenner (J.H.)	18pm	
160	Nil	10/5	13pm	8pm	Parkdale Hldgs 10p	13pm	+4
90	Nil	-	14pm	10pm	§Pict Petroleum	12pm	
5	Nil	12/5	8½pm	4½pm	Platignum	6pm	-1
250	Nil	4/5	46pm	25pm	Tibbett & Britten 5p	37pm	-2
30	Nil	-	11pm	9½pm	West Industries	9½pm	-1
550	Nil	-	73pm	63pm	Western Motor	63pm	-2
47	Nil	5/5	23pm	15pm	Worthington (A.J.) 10p	15pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ▼ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ◊ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ◆ Unlisted securities market. ◆ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Apr 10
- Last Dealings Apr 21
- Last Declarations Jul 13
- For settlement Jul 24

For rate indications see end of London Share Service

Calls in London & Associated IT, Bula Resources, Tusker Resources, Feedex, Medirace, Oliver Resources, J Williams, Dixons, Lonrho, Eagle Trust, Dukeminster, Ryan Hotels and Racal. No puts or doubles.

LONDON TRADED OPTIONS

TSB continued to attract attention on the London Traded Options Market yesterday, with 2,743 contracts handled, consisting of 735 calls and 2,008 puts, as the underlying share price shed 2p to 112p.

The market overall, however, was lifted to its heaviest trading since January largely by trading in the FT-SE 100 index contract, which saw 17,053 contracts traded, comprised of 8,803 calls and 8,250 puts. This volume of trading again helped re-establish the tendency towards domination of the dealings in traded options that it has built up over the post-crash months.

A key factor in the regaining of ground, in the total business, by index trading lay in turnover in it on the London International Financial Futures Exchange. Some technical trading was reported, essentially of a bullish kind, with short-covering seen on the futures market. The Liffe futures contract for June on the index showed a return to a significant premium over fair value, of some 6 points — depending on calculations of such things as dividend and interest rate expectations — and gave at least a mild upward pull to the underlying market.

The index itself rose 6.3 points to 2,031.3 on balance, ending at its best of the day, with the aid of early strength on Wall Street. The market having touched an early low of 2,001.5, and in spite of the UK dockers' ballot casting a shadow over the pound, as well as against the threat widely seen in the market of a move to higher UK base rates being made as part of the anti-inflation battle. The three month interbank reflected this in a modest rise.

GEC was the most heavily traded individual options stock, attracting 13,002 contracts, comprising 11,103 calls and 1,899 puts. One major house appeared to handle substantial rolling on of position from April to August. Other active options stock included BP, British Gas and Rolls-Royce and, yet again in minor degree, United Biscuits.

[illegible]

UK COMPANY NEWS

Increase of 41% to £103m despite fall in contracting profits following losses overseas

Property side boosts Taylor Woodrow

By Andrew Taylor, Construction Correspondent

TAYLOR WOODROW, the construction and property group which until recently had nearly a tenth of its shares owned by Peninsular and Oriental Steam Navigation, yesterday announced a 41 per cent increase in pre-tax profits to £103m during the year to the end of December.

The group's commercial property portfolio was revalued by Knight, Frank and Rutley at £682.6m an increase of £161.3m. Properties occupied by the group were revalued at £90.1m.

After deduction of minorities, £128.2m was credited to revaluation reserves.

Sir Frank Gibb, chairman and chief executive, said the group had passed two milestones last year. Pre-tax profits had topped £100m for the first time and turnover had increased by 40 per cent from £902m to £1.26bn.

It was the 28th year of successive profit growth. Earnings per share rose from 30.5p to 41.7p. A final dividend of of 12p (8p) made a total of 15p (10.5p) for the year, a rise of 43 per cent.

Property made the biggest contribution to profits last year rising by 76 per cent to £47.8m helped by a 22 per cent increase in rental income and increased profits from disposals. More than three-quarters of Taylor Woodrow's properties were in the UK, almost 12 per cent in Canada, under 7 per cent in the US and just over 4 per cent in Australia.

Sir Frank said the group had also seen a big increase in housebuilding profits last year which rose by 67 per cent to £35m. The housing market had been particularly strong in the UK and there had been good performances in Canada and Australia.

Housbuilding profits in the US had declined due to the timing of developments in California. These would be coming on stream this year.

Sir Frank said increased profits from the US this year, with further gains expected in Canada and Australia, would offset any downturn in the UK where sales after the first three months of this year were running between 20 per cent and 30 per cent lower than during the first quarter last year.

The UK accounted for more than 36 per cent of house sales last year compared with just under 24 per cent in the US, 17 per cent in Australia and almost 23 per cent in Canada.

Sir Frank said he expected contracting profits to improve following last year's 30 per cent fall to £14m. The decline was due to losses of about £5m on contracts for a US Navy radar station on the Aleutian Islands and a Caribbbean pipeline contract. The company's New Zealand contracting business incurred another £2m of losses.

Taylor Woodrow said it expected to recover a large slice of the losses from the two contracts when those were settled.

Contracting turnover rose by 55 per cent last year. Increased order books, particularly in the UK, would flow through in increased profits over the next few years as the jobs were worked through. The company was a member of international consortia bidding for several major civil engineering projects on the Continent.

It was part of a consortium which had been named as the preferred developer for a DKr 2.9bn (£230m) bridge across part of the Storebaelt (great belt), the main shipping lane into the Baltic.

Sir Frank Gibb: two milestones passed during the year

Wace Group doubles to £10m and makes two more acquisitions

By John Thornhill

WACE GROUP, the fast-expanding pre-press services company, announced yesterday it had acquired John Swain Group, a pre-press and printing company, for £6.75m and On Core Labels, a label printing company, for an initial £1.05m. These purchases will be financed mainly through the issue and placing of shares.

In 1988 some 18 purchases helped Wace more-than-double pre-tax profits to £10m (£4.13m). Sales rose sharply to £70.42m (£34.28m) and earnings advanced to 17.5p from a restated 11.1p. A final dividend of 2.75p makes a total 4p (3p).

The two new acquisitions make a total of six since the year end. John Swain's management is warranting a trading profit before tax for the 1988 year of at least £175,000, while On Core Labels is warranting that net assets at March 31 1989 will not be less than £460,000.

In addition to the 2.11m shares issued for these acquisitions, Wace has arranged a vendor placing of 664,267 shares to meet considerations due under earn-out arrangements from past purchases.

● COMMENT

Wace is continuing its acquisitive habits and with notable success. Techtron, its largest acquisition last year, looks as though it will be the launching pad for a series of acquisitions in the US, where according to Mr Clegg, managing director, opportunities in the highly fragmented market are "quite remarkable." Further expansion is also mooted on continental Europe and even in the Far East, resources and energy permitting. Wace believes that it has found a highly lucrative niche market which due to improving technology will be increasingly difficult, and expensive, for others to break into. The full benefits of the recent flood of acquisitions will become apparent this year and Techtron, in particular, will help boost profits. Estimates of pre-tax profits range from £16m to over £20m, putting Wace on a prospective multiple of anything from 14 to 16. Whatever the precise arithmetic, that represents a premium to the market, but that is not surprising given the possible rate of earnings growth. The share price has raced ahead since the beginning of the year to stand at 391p yesterday, up 1p, and may well level off before rising again. Wace's prospects, based on its past frenetic performance, seem impressive; yet, for some, the Saatchi saga serves as a cautionary tale of companies whose waxen wings seemingly mount above their reach.

MAI lifts Addison stake

MAI the financial services and advertising group which has reached an "advanced stage" in takeover discussions with Addison Consultancy has lifted its holding in the design and market research company to 9.7 per cent, *writes Ray Bashford.*

Buying throughout the day at up to 43p pushed the holding up from 5 per cent and created speculation that purchases will continue in the run-up to an announcement of a bid.

Motivaction, a privately-owned French market reseach company holds around 18 per cent and a further statement on the holding is expected today.

The bid price will be, in part, determined by the terms of the sale Addison's design subsidiary. A management buy-out led by Mr Steve Smith, Addison's chief executive, is under consideration and at least two other approaches have been received.

'Hungry' Adwest rises 18%

By John Ridding

ADWEST GROUP, the diversified engineering and property company, yesterday announced an 18 per cent increase in taxable profits for the six months to end-1988.

The increase – from £4.15m to £4.88m – was achieved despite continued losses at Warwick Pump and Engineering, a manufacturer of high pressure cleaning equipment, which was sold in November for a total consideration in the region of £1m. Warwick Pump made annual profits only once since it was acquired by Adwest in 1984.

An extraordinary charge of £732,000 was incurred, after tax relief of £394,000, representing the estimated loss on the disposal.

The group is in a net cash position and, according to Mr Michael Waller, managing director, is "hungry for acquisitions". These would likely be in automotive, electronics and defence divisions, and possibly in continental Europe.

Turnover edged up to £46.34m (£45.51m) and earnings per share rose 18 per cent to 5.04p. An interim dividend of 1.25p is declared compared with the 1.015p paid last time, adjusted for the one-for-one scrip issue in November. The company said that the 23 per cent increase in the dividend was to reduce the imbalance between interim and final payments.

Adwest does not break down interim figures but Mr Waller said that of its five divisions the majority of profits came from the property side. This was achieved despite slow house sales at its Didcot operation and reflected the steady inflow of rents from its properties in Reading.

The manufacturing divisions, which are skewed towards the second half of the financial year, all saw improvement.

● COMMENT

The elimination of negatives, in particular Warwick pump, the group's achilles' heel, implies a brighter outlook for Adwest. With this disposal, the last step in an often painful restructuring, the company can now concentrate on the pluses. In the immediate future, steady progress can be expected from manufacturing sales, rental income and related company earnings but, with the exception of its AS90 suspension system, there is little potential for excitement. In addition, a question mark continues to hang over prospects for house sales. All this points to the need for an acquisition to pep up earnings. Adwest says that it is looking and can offer cash for a bid up to £40m. Care will be needed, however, to avoid another Warwick Pump although its purchase of the Oceonics defence business suggests they are capable of shrewd buys. Excluding the prospect of acquisitions, analysts are expecting profits in the region of £15.5m before tax for the year as a whole. This puts the shares on a prospective multiple of just over 10, supported by the perennial bid speculation which surrounds the group.

Savoy trimmed to £12.53m

By Vanessa Houlder

THE SAVOY Hotel, the luxury hotel group which includes Claridge's and The Connaught as well as The Savoy itself, yesterday reported a near-13 per cent decline in profits for 1988. It also announced a special dividend to mark the centenary of The Savoy.

Pre-tax profits fell from £14.3m to £12.53m, reflecting a sharp decline in visitors from North America, which account for 45 per cent of clients. Turnover, however, increased from £74.08m to £75.15m reflecting "excellent business" in the restaurants and banqueting rooms.

The second half was an improvement on the first when profits fell by nearly 40 per cent to £4.8m. The fall was blamed on the difficult state of the luxury hotel market in London following the decline in US visitors due to the stock market crash and currency fluctuations.

Mr Giles Shepard, managing director, said that business picked up towards the end of the year following a difficult July and August. "There was a return of confidence with more American travellers on the move," he said.

Mr Shepard said that the current year had started well with occupancy rates up 20 per cent to the end of March.

An extraordinary charge of £590,000 stemmed from the cost of litigation with Trusthouse Forte which has been fighting for management control. THF, which has 69 per cent of Savoy shares but just 45 per cent of the votes, is trying to disenfranchise a block of shares which command a vital 5.77 per cent of the votes.

Mr Shepard said that the court case was likely to be heard next year.

THF yesterday commented that "the results are disappointing but they are much as anticipated."

Earnings per A share fell from 33p to 28.9p. The dividend is lifted 10 per cent to 5.5p per A share and 2.75p per B share. The special centenary dividend of 1p per A share and 0.5p per B share will be paid on August 7, the day after the anniversary of the opening of The Savoy.

● COMMENT

Last year the luxury hotel market was knocked for six by a combination of the weak dollar, terrorism threats and the stock market crash. So far, 1989 shows signs of improvement although it is very far from promising a vintage year. Although the Hotel Lancaster in Paris can be expected to benefit from the celebrations to mark the revolution's anniversary, the more important London market is still rather subdued. Accordingly, in its own centenary year, the company will struggle to make much of an improvement and pre-tax profits of about £13m are expected. These results left the A shares unmoved at 863p, putting them on a sky-high rating of 28. But then, mere figures will never provoke much excitement when compared with The Savoy's colourful feud with THF, for which shareholders are afforded a ring-side seat.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Adwest Group	int	1.25	May 25	1.015*	-	5.875*
American Plast §	fin	0.25☆	-	-	0.25	-
Ash & Lacy	fin	21	May 27	18	36	30
Barr & WA Ord.A	fin	11.5	-	8	15	11
Stockleys	fin	5.2	June 14	3.5	8.7	6.5
Cranford Prop Gp	fin	5.1	July 3	4.4	8.25	7.2
Earlys of Witney	fin	1	-	1	1.315	1.315
Erith	fin	2.6	May 19	2	3.9	3*
Fortnum & Mason	fin	30	-	30	61	44.5
Martin (Albert)	fin	3.25†	-	2.8	4.75	4.2
Next	fin	4.7†	July 3	4.7	7.4	8.7☆
Savoy Hotel A	fin	5.5‡	-	5	6.5	5
Savoy Hotel B	fin	2.75‡‡	-	2.5	2.75	2.5
Taylor Woodrow	fin	12	July 3	8	15	10.5
Wace Group	fin	2.75†	-	2	4	3
Wardle Storeys	int	4	July 3	3.325	-	12

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆For 17 months. ‡Special centenary dividend of 1p also proposed. ‡‡Special centenary dividend of 0.5p also proposed.

UK COMPANY NEWS

A bloody battle for Britain's tanneries

Nikki Tait on the implications of two Monopolies Commission reports on the leather industry

THE PROSPECT of resumed bid activity hung over Britain's complex leather industry yesterday, following Monopolies and Mergers Commission decisions that neither the acquisition of tanner Pittard Garnar by clothing leather company Strong & Fisher, nor its acquisition by the giant conglomerate Hillsdown Holdings would operate against the public interest.

In the Hillsdown case, the six Commission members involved in the inquiry were unanimous in their conclusion.

In the case of Strong & Fisher, however, one member dissented on whether the gearing involved in a bid for Pittard would produce adverse effects. Three members also felt that there could be a detrimental impact on the competitiveness of UK clothing leather in overseas markets, in bovine tanning, in research and development and in employment.

The MMC only reached its conclusion that the proposed Strong bid should be allowed to proceed because of the exercise of a casting vote by the chairman of the inquiry, Mr David Richards.

Publication of the reports is a further step in the lengthy struggle over the much-diminished British leather industry's future.

The current battle started back in 1986 when Strong & Fisher, which concentrates on upmarket clothing leather, made a bid for the then Garnar Booth company, a more diversified leather company with some clothing interests.

The bid was referred to the MMC, but the inquiry was abandoned when Strong withdrew.

Shortly afterwards, Pittard - with interests then spanning gloving leather, shoe upper leather and clothing leather - made a recommended offer for Garnar.

Despite a bid battle with Hillsdown Holdings, a much larger food, furniture and property group, the merger went through. Hillsdown retained a 16.5 per cent interest in Garnar Booth; Strong, meanwhile, made certain other acquisitions of its own.

The struggle recommenced last year, when Strong put in a new £41m bid for the merged Pittard Garnar.

When this was referred, Hillsdown requested a similar investigation into any increase in its own stake in Pittard.

With regard to the Hillsdown reference, the MMC found three areas where activities overlap with those of Pittard.

Although Hillsdown is not primarily a leather company, its food and furniture businesses means that it operates 25 abattoirs, two hide and skin markets, four fellmongeries (where wool is removed from sheepskins and pelts are pickled) and a wool-on tannery (where skins are processed without removing the wool). It also uses furniture leather.

The first Pittard-Hillsdown overlap comes in the supply of skins from the abattoirs to the hide and skin markets. Hillsdown accounts for about 7 per cent of the UK cattle slaughter and 8 per cent of lambs and sheep. It also bought 0.8m ovine (lamb and sheep) skins in 1988, representing 4 per cent of the total kill. Pittard, which has no abattoirs, purchased 1.5m skins (9 per cent).

The second overlap involves the salting of raw skins to extend their life, and the sale of these for further processing.

Pittard accounted for 7 per cent of the UK production of salted skins in 1988; Hillsdown for 6 per cent. However, the MMC noted that there is also substantial international trade in such skins. Pittard, it reports, accounted for 22 per cent of purchases of salted skins by UK fellmongers last year, and Hillsdown for 29 per cent.

The third area of overlap concerns the production of pickled pelts, with both companies producing around 3m pickled skins in 1988 - an aggregate 42 per cent of UK production. As with salted skins, the MMC points out that there is substantial international trade in these pelts.

In addition, the MMC noted that Hillsdown makes upholstery leather and is a potential customer for a bovine tanner like Pittard. However, the report suggests that before Pittard could supply the whole-hide leather required for upholstery, new investment would be needed in its bovine tannery business.

With these areas in mind, the MMC considered eight specific issues.

These included whether the merger would lead to unfair buying power against abattoirs and independent hide and skin markets; to disproportionate access to better-quality salted skins; or to the creation of a dominant supplier of fellmongered wool.

Other issues examined included whether there were sufficient imported sources of pickled pelts; and whether there might be adverse effects for leather exports, for the effective operation of Pittard's bovine tanning business and for the shoe industry generally, or for research, or for employment.

Despite receiving numerous, and predominantly hostile, submissions from interested parties - ranging from the Industry Department for Scotland through to small individual tanners - the MMC found no potential adverse effects on any of these scores.

The overlap between Pittard and Strong & Fisher is slightly more complex and comes in four principal areas. Three of these are similar to the Hillsdown overlap - in raw, salted and pickled skins - but there is also a fourth area, of finished wool-off clothing leather.

The MMC also considered the levels of gearing involved in a bid by Strong, the implications which this could have in terms of the future disposal of assets, and whether anyadverse effects might result.

With regard to raw skins, the MMC found that Strong purchased 4.4m in 1988, or 25 per cent of the kill. In terms of salting, Strong accounted for 32 per cent of UK production of salted skins and purchased 27 per cent of all salted skins bought by UK fellmongers. Its production of pickled pelts was similar to Pittard's, at 3m skins last year. About 10 per of these pelts were then sold outside the company, but the bulk were used in its own tanneries - in contrast to Pittard, half of whose output was sold.

In terms of the production of wool-off clothing leather by the tanning of pickled pelts, the MMC noted that Strong is the major UK producer, accounting for a 65 per cent market share - 92 per cent of which is then exported.

However, when looking at the supply of clothing leather to UK garment makers, the MMC says it faced conflicting views from the two parties, and instead cites the official statistics. These, says the MMC report, suggest that imports account for 45 per cent of their clothing leather purchases by UK garment makers, and that of the remainder, Pittard supplies 18 per cent and Strong 12 per cent.

As with the Hillsdown report, the MMC considers a number of different issues in the light of these overlaps. Again, there were a large number of third party comments, overwelmingly against the merger.

Looking first at the buying power of a combined group at the abattoir stage, the MMC concluded that there were various protections for abattoirs - both in the ability to set up their own hide and skin markets or fellmongeries, and in competition from other buyers, and there should be no adverse public interest effects.

At the salted skin and pickled pelt stages the MMC points to the access to imports, and also notes that if the merger led to the withdrawal of Pittard's supply of pickled pelts from the market, there would be a corresponding release of salted/raw skins.

The MMC also did not think that a 42 per cent market share in fellmongered wool would give a merged group significant influence over the price at which such wool is sold to users or merchants. And it said that "there is no reason to believe that a merger would lead to a reduction of UK supplies of clothing leather to domestic customers and consequently greater dependence on imports."

But the inquiry team was split by the remaining areas of consideration.

First, they disagreed on whether a cessation of domestic competition would have a detrimental impact on the competitiveness of UK clothing leather in overseas markets.

Three members of the inquiry decided that "the impact of domestic competition is more immediate and that the foreign buyer is more likely to purchase from the UK if he has a choice of UK suppliers". This trio saw the merger as "being in essence anti-competitive", and having the effect of removing Strong's only significant UK competitor.

Second, this same trio felt that the proposed sale by Strong of Pittard's bovine tanning business - something which Strong said it was planning when making its bid - could have adverse effects.Both Pittard and a number of third parties were sceptical whether buyers could be found, although Strong said that it had received approaches.

Even if it went to a number of purchasers, the dissenting trio felt the resulting break-up could curtail the operation's effectiveness in supplying the needs of its customers - in particular, UK shoe manufacturers. However, the other three members of the inquiry felt that supplies would be continued, and that there were alternative suppliers anyway.

The third area of dispute concerned research and development, with the dissenting trio taking the view that "the merger would have the effect of narrowing the base and reducing the overall scale and diversity of research into ways of improving leather production".

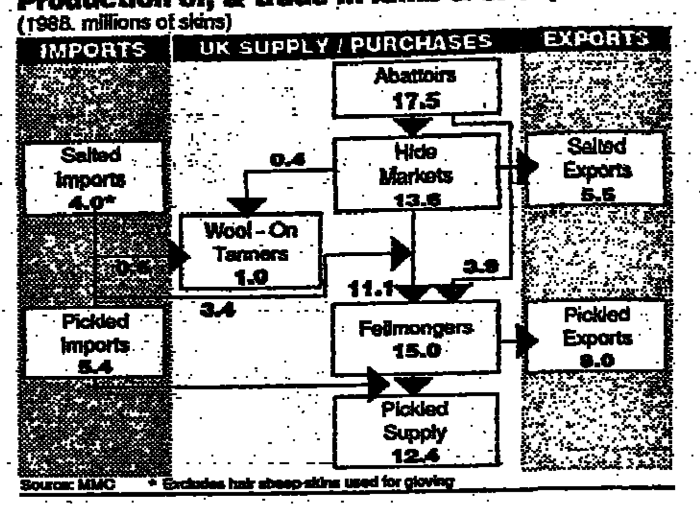
The fourth worry concered employment. The same three members were concerned about the "prospect of direct and indirect redundancies following the closure or fragmentation of the bovine business."

Meanwhile, on the gearing front, Strong had already suggested that borrowings of the merged group would be about 154 per cent of shareholders' funds. According to the MMC report, this would reduce to around 110 per cent if the bovine tannnery business was sold for some £20m - although Strong suggested that it planned to realise at least book value of £22m.

The bulk of the inquiry team decided there were no likely adverse public interest effects on this score. But one dissenting member concluded that a highly-geared group would be more vulnerable to the volatility of the clothing and gloving leather markets and to any increase in skin prices.

The Monopolies and Mergers Commision reports on the mergers (CM663 and 665) are available from HMSO, price £7.40 for the report on Strong & Fisher's proposed acquisition, and £6.00 for the corresponding Hillsdown report.

Production of, & trade in lamb & sheep skins
(1988, millions of skins)



Source: MMC * Excludes hair sheep-skins used for gloving

SHARES IN UK PRODUCTION AND PURCHASES OF LAMB AND SHEEP SKINS IN 1988

	UK (million skins)	Pittard Garnar (%)	Strong & Fisher (%)	Hillsdown (%)	Pittard + Strong & Fisher (%)	Pittard + Hillsdown (%)
Raw skins:						
UK buys	17.5	9	25	4	34	13
Salted skins:						
UK supply	13.6	7	32	6	39	13
Less woolskins	(1.0)					
Less exports	(5.5)					
Plus imports	4.0					
UK buys	11.1	22	27	29	49	51
Pickled pelts:						
UK supply	15.0	20	20	22	40	42
Less exports	(8.0)					
Plus imports	5.4					
UK buys	12.4	23	41	–	64	23
Wool-off clothing leather:						
UK supply	7.8	22	65	–	87	22
Less exports	(6.0)					
Plus imports	1.5					
UK buys	3.3	18	12	–	30	18

Source: MMC.

Mild winter blamed by Earlys for downturn into losses

EARLYS of WITNEY, the manufacturer of blankets and Warlord floor covering, went into reverse in the second half of its year to end-January 1989 reporting a pre-tax loss of £11,345 compared with profits of £101,000 at the half way stage.

The results included John Cockcroft and Sons, a producer of woven fabrics, since its acquisition for £536,000 cash in December.

Turnover was up from £8.45m to £9.02m. Tax took £22,449 (£27,889) leaving a loss of 0.7p per share (earnings of 0.57p).

The company said the principal cause of the substantial trading loss in the final quarter was due to the abnormally mild winter which created difficult trading conditions for the sale of blankets. But it believed that Witney provided an opportunity for diversification from the company's dependence on blankets and it was actively pursuing plans for the disposal of surplus property in Witney.

The total dividend is maintained at 1.315p with a proposed final payment of 1p.

SHARE STAKES

The following changes in company share stakes were announced recently:

GT Management – Following the acquisition of 2.77m ordinary, BIL Investments (Cayman) now holds 14.76m ordinary (28.34 per cent).

George Oliver Footwear – Prudential Pensions acquired a further 2,500 shares on March 30 bringing its total holding to165,750 shares (6.42 per cent).

TF and JH Braime – Mr ONA Braime acquired 1,250 ordinary at £2.2 each bringing his total holding to 49,250 (10.26 per cent). Mr JAH Braime has acquired 1,250 ordinary at £2.2 each, bringing his holding to 48,750.

Ivory and Sime – Colguy Holdings has acquired 65,000 ordinary bringing its stake to 1.9m shares (6.18 per cent). Shares are registered in the names of Clydesdale Bank (London) Nominees – 912,500; Midland Bank (Princes Street) Nominees – 305,000; Midland Bank (Threadneedle Street) Nominees – 180,000; West Nominees – 500,000.

Spice – Rothschild Trust Company International, as trustee for various trusts, has acquired an interest in a total of 2.96m ordinary (19.02 per cent). Mr Richard Fleming, a director, is directly interested in 1.49m (9.57 per cent) of the shares held by Rothschild Trust Company.

UK COMPANY NEWS

Unilever in disposal to French company

By Andrew Hill

UNILEVER, the Anglo-Dutch consumer products company, is to sell its wholesale electrical goods subsidiary, Comptoir Electro-Industriel du Maine.

Compagnie de Distribution de Materiel Electrique, a French supplier of electrical goods, will buy 99 per cent of CEIM's capital for an unspecified amount.

The Anglo-Dutch group said the payment was "not significant in relation to the assets of Unilever".

CEIM's sales in 1988 totalled FFr 664m (£61.7m). The subsidiary, which is no longer considered central to Unilever's activities, has 15 distribution centres, mainly covering the west of France, but also extending to Paris and the north of the country.

Extraordinary charge of £1.36m related to failed Armstrong bid

Wardle Storeys drops to £5.8m

By Philip Coggan

WARDLE STOREYS, the survival equipment and plastic sheeting group, yesterday reported a 24 per cent drop in interim pre-tax profits, in line with the warning it gave in February.

Pre-tax profits for the six months to February 28 were £5.8m (£7.67m) and there was an extraordinary debit of £1.36m, mainly relating to the group's abortive £82m bid for Armstrong Equipment, the industrial fasteners and shock absorbers company.

Wardle said that pre-tax profits for the second half will fall short of the £8.8m achieved in last year's second half, indicating that full year profits will be no higher than £14.6m (£16.47m).

Profits fell in both divisions with technical products (plastics) recording a 39 per cent fall to £3.23m (£5.28m) and safety and survival equipment dropping 28 per cent to £1.02m (£1.41m).

Mr Brian Taylor, chief executive, said that the non-automotive side of the technical products division had persisted with too high prices at a time when foreign competitors were cutting their rates. In addition, the sales team was operating on a geographical, rather than a product, basis which meant that salesmen were not fully informed about market developments.

The result was a volume shortfall which caused production inefficiencies. Prices had now been reduced and the sales team switched to a product basis. Volumes were up to the previous year's level, although margins were lower. Mr Taylor said that the automotive products of the technical products division was performing well.

The parachutes side of the safety and survival equipment division was hit by a higher-than-budgeted pay award, imposed by arbitration and by a delay in orders. However, Mr Taylor said that GQ Parachutes had a significantly higher order book than a year ago.

Group operating profits fell 37 per cent to £4.25m (£6.7m) on turnover of £39.23m (£37.28m). However, interest receivable rose to £1.55m (£975,000). Earnings per share fell 25 per cent to 15.3p (20.5p) but the interim dividend is being increased to 4p (3.325p).

● COMMENT

After two failed bid attempts and an unexpected decline in profits, Mr Taylor has a lot of work to do before he can restore Wardle Storeys' reputation with the City. Previously the company was perceived as a well-managed collection of unattractive businesses; now Mr Taylor will have to work hard to restore the "well-managed" label. Perhaps Wardle was distracted by the Armstrong bid; perhaps, given the cyclical nature of a commodity business like plastics sheeting, such a downturn was inevitable. At least, Mr Taylor has £30m of cash to spend on bolt-on acquisitions which could spur growth. The shares, yesterday down 12 at 400p, would appear to have limited scope to improve in the short term. Forecasts of £14m pre-tax for the full year means the prospective p/e is just under 11; if profits reach £18m in 1989/90 the rating falls to a more palatable 8.5 but nevertheless it could be some time before serious buyers emerge.

American Plastic at $2.62m

AMERICAN PLASTIC Technologies, the USM-quoted plastic injection moulding concern, reported pre-tax profits for 1988 of $2.62m (£1.54m) on turnover of $27.77m. That compared with profits of $823,000 on turnover of $7.3m.

Earnings per share for this US company came out at 13.87 cents (16.55 cents) or 7.47p (9.23p).

Mr Mark Vaughan-Lee, chairman, said that the decline in gross margins seen during the period were the result of product mix, and raw material price increases which it had not been possible to pass on.

He added that the pricing structure remained difficult and the board was taking steps to avoid the continuing pressure on margins as resistance to the necessary price increases was still being seen.

The second half should have seen a reversal in the decline in orders in the first half, the chairman said. However, this had not occurred because of a customer deferring production and further competition from imports.

Operating profit was $2.6m ($829,000) and there was net interest receivable of $21,000 ($6,000 charge). Tax took $86,000 ($11,000).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Dowding & Mills, New Central Witwatersrand, Smiths Inds.

Finals- Acorn Computer, Aquascutum, Avis Europe, Cannon Street Invs, Connells Estate Agents, Fosseco, Hafnia Invest Aktieselskabet, Hay (Norman), Helene, Hewden-Stuart, Jacks (William), Malaya, Mecca Leisure, Midland & Scottish, Needler, Page (Michael), Pearl, Polly Peck Intl, RMC, Smec, Tesco.

FUTURE DATES

Interims-

Alba	Apr. 21
St Ives	Apr. 25
Tate & Lyle	May 2

Finals-

Ashley (Laura)	Apr. 25
Beattie (James)	May 2
Billingsgate City Secs	Apr. 18
Boosey & Hawkes	Apr. 18
East Daggafontein Mines	May 2
Evered	Apr. 14
Hartons	Apr. 20
Lincoln House	Apr. 18
Nurdin & Peacock	May 3
Polymark Intl	Apr. 18
Silverines	Apr. 18
Thurgar Bardex	Apr. 25
Tie Rack	Apr. 18
UCL	Apr. 20
Upton (E)	Apr. 20
Ward White	Apr. 18

UK COMPANY NEWS

Getting the style and environment right

Peter Marsh analyses ICI's search for biotechnology products which mesh with its other activities

MR JOHN RUSSELL is in charge of integrating new ideas in biotechnology into the existing operations of Imperial Chemical Industries, Britain's biggest chemicals company. "It has been a hard style to learn," he says.

Mr Russell is head of ICI's biological products division, which has 310 employees and is tacked on to the company's heavy chemicals operations on Teesside in north-east England.

His job is to come up with new approaches in biotechnology that can be meshed into ICI's other activities – which range from commodity materials like plastics and fibres to pharmaceuticals and crop-protection compounds.

Biotechnology is a blanket term for a range of biology-based processes invented in the past 10 years. These could, so many observers believe, greatly affect the chemicals industry over the next 10 years by making possible new products or improving factory processes.

Mr Russell, 46, is a former ICI research chemist who has led the biological products unit since its formation five years ago. He has developed within it a free-wheeling style of a kind more likely to be found in a small start-up company than within a large industrial combine like the £12bn-a-year turnover ICI.

Another drive has been to strike a large number of outside partnerships as a way of gaining outside marketing and technological expertise in fields in which ICI lacks strength. The biological products unit has about 25 such ventures, according to Mr Russell.

"We have worked on getting the style and the environment right," says Mr Russell. "We are very different from most of the other parts of ICI. We have little in terms of sales and all our energies are taken up in moving quickly and spotting new markets."

While many other big chemicals companies are taking a relatively narrow approach to biotechnology, directing most of their resources in this science at specific sectors, ICI's biological products group is aiming at a broad range of targets.

Among rival chemicals groups some – like West Germany's BASF and the US's Du Pont – have set up expensive new research facilities to aid the search for new drugs using biotechnology. Others, including the US's Monsanto, think agrochemicals will be the main product area which biotechnology will affect.

Mr Russell's division, however, is investigating projects including biodegradable plastics, novel production methods for drugs, enzyme-based water treatment and preservation agents for foods.

Most of these ventures are still in the development stage. Annual sales of the unit, which are not officially disclosed, are thought to be about £15m.

"ICI is taking a shotgun approach," says Mr Roger Shamel, president of Consulting Resources, a Massachusetts-based biotechnology consultancy. "It is putting a lot of chips at a gambling table and hoping one comes up."

Mr Russell is not willing to discuss exactly what his unit's targets are over the next few years, either in terms of sales or technologies. But he says the "shotgun" stance at ICI may be more apparent than real. He says all the unit's ventures are part of a carefully worked out plan which ICI directors approved last year.

Others within ICI say that the company's relatively unfocused approach in its biological products division does not mean it is ignoring the potential of biotechnology in drugs and agrochemicals. ICI says it has 300 researchers in its divisions covering these product areas who are investigating biotechnology.

People in these divisions and in the biological products unit liaise through a series of informal committees to ensure they are aware of each others' ideas. Overseeing the entire thrust in biotechnology is Mr Peter Doyle, ICI's research director, who says Mr Russell has been "quick on his feet and opportunistic" in developing new ideas.

Mr Russell started with the disadvantage of having to pick up the pieces of an earlier ICI venture in biotechnology. His unit took over the running of a £40m ICI project in this field which had started up in the 1970s to make an artificial animal feed called Pruteen. The scheme was technically brilliant but a commercial disaster and one of Mr Russell's first jobs was to close it down.

ICI drew an important lesson from the Pruteen imbroglio. "We are now careful not to over-reach ourselves," Mr Russell says. "Rather than concentrate on high-volume projects with low profit margins, we are trying to look instead at making smaller quantities of materials with much higher value."

Mr John Walker, a former ICI chemist who worked on the Pruteen project and is now managing director of Charterhouse Japhet, a venture-capital group, says Mr Russell deserves praise for relaunching ICI's biotechnology drive. "After the Pruteen episode everyone said ICI had played biotechnology and failed; now they seem to have had another try and have turned themselves around."

Arising out of the unit's broad-based approach have been a range of joint ventures. It is working with Ranks Hovis McDougall, the UK foods group, on making protein-based foodstuffs. The division has a project to make biodegradable plastics with MTM, a British chemicals company.

Mr Russell has pinpointed the US, where ICI derives a quarter of its sales, as a vital place for partnerships. He has a venture with MedChem, a small Massachusetts-based company, to find new ways to make hyaluronic acid – a biological material used in eye surgery.

Another project for Russell's unit in the US is with Chicago-based Nalco, a big water-treatment company with annual sales of about $1bn. The two groups are working on a range of ideas using novel biological fragments to destroy impurities in rivers or industrial wastes.

Earlier this year Mr Russell's subsidiary paid £5.5m for a small UK company called Cambridge Research Biochemicals, a Cambridge-based business which is a leader in making peptides. These are small biological materials which could form the building blocks of new generations of chemicals. Peptide synthesis could become highly important in the drugs sector, either through making possible new types of medications or by cutting manufacturing costs.

USM placing for Kenmare Resources

By Kenneth Gooding, Mining Correspondent

KENMARE RESOURCES, the Dublin-based mineral resources group with projects in Sudan, Mozambique, the Philippines, Ireland and Northern Ireland, is to be introduced to the Unlisted Securities Market by stockbrokers Goodbody James Capel. Dealings are expected to start on April 17.

The company has a market value of about £12m at the recent price of 28p a share. The beneficial interests of the seven directors total 9 per cent and there are about 3,400 other shareholders, more than half of them in the UK and none of whom owns more than 5 per cent of the issued capital.

Kenmare suffered a net loss of £224,063 in the year to end-April, 1988, at which date its net assets were worth £1.9m, including £1.1m cash. The company recently poured its first gold from its Sudan mine but its major venture is a heavy minerals project in Mozambique.

Cussins expands by 47%

CUSSINS Property Group achieved a pre-tax profit up 47 per cent from £1.85m to £2.73m for the year ended December 31 1988, on turnover up 71 per cent from £8.83m to £15.12m.

Earnings per share were up 17 per cent to 25.2p (21.6p) and the company's net assets rose to £20.77m, representing £2.91 per share.

A final dividend of 5.1p(4.4p) was proposed, making a total of 8.25p(7.2p) for the year.

Blockleys paves the way to 52% improvement

By Richard Tomkins, Midlands Correspondent

BLOCKLEYS, one of Britain's three remaining independent brickmakers, along with Baggeridge Brick and Ibstock Johnsen, increased pre-tax profits by nearly 52 per cent to £5.24m (£3.45m) in 1988.

Earnings per share rose similarly from 18.35p to 27.79p and a final dividend of 5.2p is proposed, making 8.7p (6.5p) for the year.

Blockleys, based in Telford, Shropshire, makes up-market facing bricks and claims 50 per cent of the UK market for paving bricks of the sort widely used in pedestrianisation schemes. Both types of product are in strong demand.

Mr Brian Taylor, deputy chairman and managing director, said the company's output had increased by 20 per cent, but turnover rose by 37 per cent to £17.4m (£12.8m) because of firmer pricing and a reduction in stocks from 16m to 9m bricks during the year.

Higher interest rates would inevitably cut housing sector activity this year, Mr Taylor said, but most of Blockleys' facing brick output went into prestige commercial projects and was not so susceptible to this trend. Demand for paviors, meanwhile, was growing at 30 per cent a year.

Partly because of the mild winter weather, order books were at very much higher levels than at the same time last year, Mr Taylor said.

Increases in production capacity meant output should rise from 65m bricks to about 80m in 1989 and he looked forward to another significant increase in profits.

Hodgson pays £2.6m for 11 funeral directors

By Andrew Hill

HODGSON HOLDINGS yesterday announced its first acquisitions since becoming Britain's only fully-listed funeral director on Monday.

The group, one of three quoted funeral businesses in the country, has bought 11 funeral directors for £2.6m in cash.

Three of the companies are in Scotland, three in the north east of England, two in the east Midlands, two in the south west and one in the north west. They carry out a total of 2,300 funerals annually.

Hodgson's transformation from a USM stock into a "miscellaneous industrial" share on the main market has had little effect on the price. The shares were unchanged from Friday's closing USM price on Monday, and rose 2p to 168p yesterday.

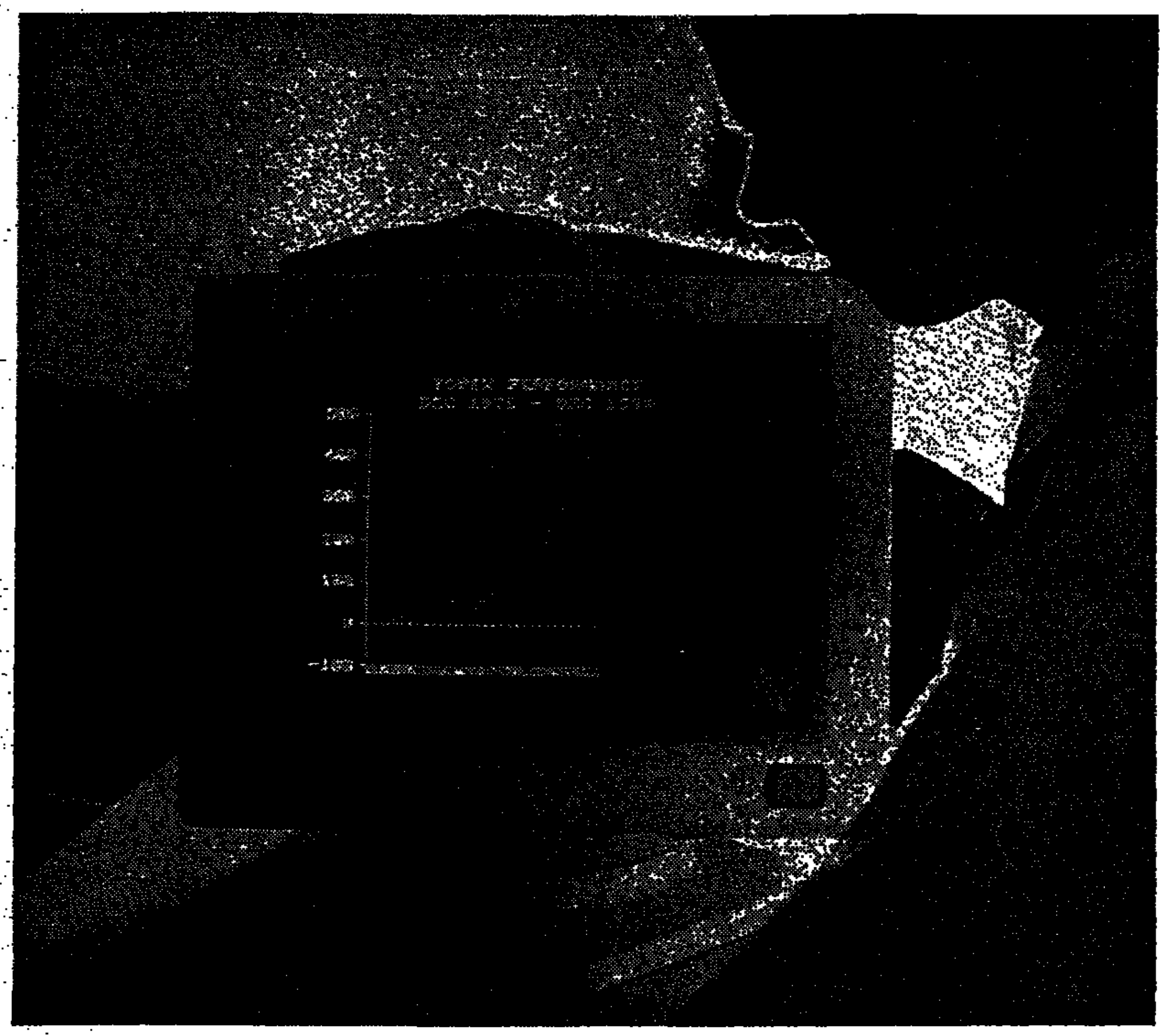
Fortnum rises to £1.76m

A 49 per cent increase in pre-tax profits from £1.18m to £1.76m was announced by Fortnum & Mason, the department store, for the year to January 28.

A final dividend of 55p (39p) is proposed for a total of 61p (44.5p), payable from increased earnings of 287p (175p) per £1 share.

Sales for the year advanced 15 per cent from £18.31m to £21.03m, generating trading profits of £1.33m (£870,000). The pre-tax result was struck after interest received of £426,000 (£312,000).

Tax took £613,000 (£430,000).



UK COMPANY NEWS

Galvanising division helps Ash & Lacy rise 19%

By Richard Tomkins, Midlands Correspondent

ASH & LACY, the West Midlands galvanising and metal products group, turned in another strong performance in 1988 with pre-tax profits up 19 per cent from £4.09m to £4.86m.

A slightly higher tax charge produced an increase of 21 per cent in earnings per share, from 65.6p to 79.7p, and a final dividend of 21p is recommended, making 36p (30p) for the year.

The profits increase was achieved on turnover sharply up at £54.7m compared with £40m last year. Part of the increase was attributable to three acquisitions made during the period at a cost of £1.9m, but the rest was the result of strong demand for Ash & Lacy's products.

Mr David Fletcher, chairman, highlighted the performance of the galvanising division, which saw two acquisitions during the year, and the stockholding operation, which benefited from higher metal prices and the opening of a warehouse in Chippenham, Wiltshire.

Losses, however, continued at Huurral, the joint venture making cladding sheets, which took £372,000 out of profits against £136,000 last year.

Mr Fletcher struck an optimistic note for the current year. "People have been asking for us for 18 months when the downturn is coming, and we still can't see any signs of it," he said.

The company is proposing a sub-division of each 25p share into five 5p shares followed by a one-for-five scrip issue with the aim of enhancing marketability.

Bowater increases stake in Chamberlain to near 10%

By Philip Coggan

BOWATER Industries, the packaging and industrial products group, has increased to 9.8 per cent its stake in Chamberlain Phipps, the shoe components and adhesives company.

It has acquired a further 16,000 Chamberlain shares taking its total to 3.68m shares.

Bowater is locked in a bid battle for Chamerlain with Evode, the plastics and chemicals company.

At the first closing dates of the bids last week, Bowater had 3.1 per cent of accpetances and Evode had 2.03 per cent of acceptances. Evode also owns 4 per cent of Chamberlain's equity.

The total percentage of Chamberlain's equity now committed to the two sides is therefore 12.9 per cent (for Bowater) and 6.03 per cent (for Evode).

The next closing dates for the offers are April 17 (for Evode) and April 18 (for Bowater).

Erith rises but gives warning

PRE-TAX profits at Erith, the builders' merchants group,rose 24.4 per cent to £5.5m for 1988, compared with £4.4m.

Earnings per share increased from 7.41p to 9.27p. There is a final dividend of 2.6p (2p), making 3.9p (3p) for the year.

Mr Graham Davies, chairman and managing director, said the improved result was due to the acquisition of another company in the business, the opening of two new branches and a mild winter.

However, he warned that higher interest rates could have an adverse effect on the peformance during the current 12 months as the housing industry begins to slow.

The chairman added that the bulk of the company's business is in the private industrial and commercial sector and repair and maintenance which continues at a high level.

Barr Wallace up 33% to £3.6m

HELPED by a doubling in profits by its holidays and leisure division Barr & Wallace Arnold Trust reported pre-tax profits of £3.61m for 1988, up 33 per cent on the previous year's £2.7m.

The result was achieved on turnover 18 per cent higher at £170.81m (£144.41m). Earnings per ordinary and A non-voting shares came out at 36.3p (27.2p) and the proposed final dividend on both class of shares is being raised to 11.5p (8p) to make a total for the year of 15p (11p).

The breakdown in pre-tax profits showed the major contribution coming from motor distribution with £2.39m (£2.21m), leisure and holidays £1.41m (£702,000), fuel distribution £202,000 (£152,000) and parent company and property losses £396,000 (£362,000).

Trading profit was £4.08m (£3.63m) with a further £23,000 (£33,000) from rent receivable. The pre-tax profit figure was struck after net interest charges of £497,000 (£959,000). Tax took £1.36m (£1.02m) and there was an extraordinary credit of £116,000 (£21,000 debit).

Albert Martin rises 33% to £2.76m

By Graham Deller

ALBERT MARTIN Holdings, the Nottinghamshire-based clothing manufacturer and importer which is a major supplier to Marks and Spencer, yesterday reported pre-tax profits 33 per cent higher at £2.76m for 1988.

The advance from the £2.08m achieved during the previous year came on turnover of £61.61m (£52.58m), and followed growth of 43 per cent at the midway stage.

Mr Michael Kidd, chairman, said UK operating profits of £2.28m (£1.75m) reflected good contributions from import distribution and from FH Drabble and Burnham Group, both acquired during the year.

He said that "substantial progress" had been made in the troubled knitwear division with benefits from management action during 1988 taking effect.

However, margins on all manufacturing activities remained tight and although production levels held up against customer contracts, the call-off of merchandise was less than anticipated and this affected stock levels with a consequential impact on finance charges in the second half.

Net interest charges, significantly lower at half way, totalled £649,000, still down on 1987's £732,000.

Mr Kidd said that after the quinquennial property revaluation, shareholders' funds stood at 118p per share.

Capital expenditure amounted to £3.7m in 1988 and gearing at the year end was 22 per cent.

Overseas operating profits of £1.13m (£1.06m) were described as "excellent" by Mr Kidd. The outcome reflected start-up costs associated with the new factory in Dubai and the marketing and sales operation in New York.

After tax of £285,000 (£378,00) and minorities £100,000 (£89,000), earnings per 20p share expanded 18 per cent to 14.2p.

The proposed final dividend is raised to 3.25p making 4.75p (4.2p) for the year.

Issue News

Capita valued at £8m as it raises £1m in USM placing

By Vanessa Houlder

CAPITA, a management consultancy specialising in the public sector, is coming to the USM via a placing that will value it at about £8m.

The company was formed by a management buyout from the Chartered Institute of Public Finance & Accountancy in March 1987 for £330,000.

Its activities include management consultancy, information technology consultancy, training, recruitment and corporate finance advisory services with clients in local government, health authorities, utilities, central government and government agencies.

Pre-tax profits in 1988 were £747,000 (£404,000) on turnover of £4.3m (£1.9m).

Capita said it expected to benefit from changes foreshadowed in the health service White Paper. It was also involved in the privatisation of public sector services and had advised the buy-out team which won the cleaning contract for Westminster City Council.

It has a joint venture with British Telecom to market services to local authorities. Mr Paul Pindar, finance director, said that other collaborative ventures were likely.

Further details of the placing, which will raise £1m for the company, will be announced on April 18. The broker is CL-Alexanders Laing & Cruickshank and the issuing house is Hill Samuel.

John Green USM placing gives £7m capitalisation

By Vanessa Houlder

JOHN GREEN & Son, a specialist screen printer, is making its debut on the USM through a placing that capitalises it at £6.7m.

Panmure Gordon is placing 2m shares at 100p per share to raise about £1m for the company.

John Green, which is based in Wakefield, provides specialist screen printing services for clothes decoration and for point-of-sale display material.

The screen printing of garments, including the decorative printing of fashionwear, leisurewear and hosiery, is a fast expanding part of the business and now accounts for about two thirds of last year's profits.

The group made pre-tax profits of £757,000 (£473,000) in the year to October 31. The historic p/e ratio was 11.4.

The placing will pave the way for acquisitions, which will be used to expand its geographical coverage to the South East and so expand its customer base.

Try Group to join main market with £25.9m tag

By Vanessa Houlder

TRY GROUP, a construction and property development group, has come to the main market through a placing that values it at £25.9m.

Try's launch comes at a time when the market is preoccupied with the possibility of higher interest rates, which could be particularly damaging to a South East-based housebuilder. However Mr Hugh Try, chairman, said the group was confident it could meet its target of increasing house sales from 101 units to 200 units in 1989.

"High interest rates have clearly slowed the housing market but we are very well spread geographically and in price brackets," he said.

The company, which is involved in contracting, housebuilding, property and investment, made pre-tax profits of £3.95m (£2.02m) in 1988. Its gearing was 10 per cent prior to flotation.

Lazard Brothers is placing 9.7m shares at 125p per share, raising £8.45m. Dealings are expected to start on April 18.

SHARE STAKES

Hammerson Property Investment and Development Corporation – Australian Mutual Provident Society has become the beneficial owner of 2.53m ordinary shares (7.02 per cent) and 9.23m A limited voting shares (7.12 per cent). AMP gained the stake through its recent merger with London Life.

Jove Investment Trust – Merchant Navy Officers Pension Fund has acquired 3.79m (26.73 per cent).

Kerry Group – ESB Superannuation Fund is the beneficial owner of 3m ordinary (6.5 per cent).

Kewill Systems – Mr Kevin Overstall has sold 150,000 ordinary, reducing his holding to 1.88m (28.6 per cent).

Kode International – TR Technology has lifted its holding to 450,000 ordinary (7.99 per cent) with the acquisition of 100,000 at 215p each.

Macallan-Glenlivet – Pavis has raised its holding to 889,885 shares (11.2 per cent) with the acquisition of 23,000.

McLaughlin & Harvey – Mr Charles Yuill, chairman of Thorbourne, and other parties acting in concert have increased their holding to (16.71 per cent).

Meldrum Investment Trust – St Mary Axe Holdings, wholly-owned subsidiary of British & Commonwealth Holdings, has disposed of 1.24m ordinary, reducing its holding to 29.1m (72.17 per cent).

Merchant Manufactory Estates – Property & General Trust, a company controlled by SJ Southall's family, has acquired 576,000 ordinary from WA Iremonger and 297,759 from JF Keegan, thereby increasing his family's holding to 25.86 per cent.

Owen & Robinson – Seaforth Investments now has 681,503 shares (24.46 per cent).

Peel Holdings – Competrol Establishment has acquired 44.13m ordinary, lifting its holding to 15.63m (19.06 per cent).

Plumb Holdings – Raine Industries has bought 40,000 ordinary, raising its holding to 1.55m (12.4 per cent).

Power Corporation – Mr Robin Power, chairman, has purchased 277,777 ordinary, lifting his total to 6.31m (10.45 per cent).

Regalian Properties – Legal & General Investment Management has acquired 830,000 ordinary, increasing its holding to 9.39m (10.19 per cent).

Scottish Cities Investment Trust – Guardian Royal Exchange has disposed of its entire holding of 26,000 5 per cent cumulative preference stock units (11.56 per cent).

Scottish Metropolitan Properties – Guardian Royal Exchange has transferred 45,280 ordinary from King William Street Nominees' PWP Account to GRE Pensions Management, marginally increasing Guardian Royal Exchange's holding from 18.69 to 18.74 per cent.

Sherwood Computers – Framlington Group has acquired 87,200 ordinary on behalf of its clients, lifting the holding of voting shares to 1.34m (25.5 per cent).

Simon Engineering – The Prudential Corporation has reduced its holding to 2.92m (4.42 per cent).

Sirdar – Confederation Life Group has a beneficial interest in 4.24m (7.9 per cent).

Smaller Companies International Trust – National Farmers Union Mutual Insurance Society has disposed of 24,200 3½ per cent cumulative preference shares (6.7 per cent).

JOBS

The pros and cons of changing employers

By Michael Dixon

WHEN your job prospects are uncertain, is it better to stay put or move elsewhere?

The trouble with the question of course is that – like most others central to careers – it involves a host of individual complications. Indeed the only safe general answer is the one received by the great American comedian Jack Benny, when he asked his man Rochester whether having a black cat cross your path is lucky or unlucky. "Well boss," came the reply, "I guess it all depends on what happens afterwards."

Even so, some light on the issue has just been provided by two new surveys of pay in a particular sector where this column has a good number of readers: City of London banking. One of the surveys is made by the Jonathan Wren recruiting consultancy, and is obtainable from 1 New St, London EC2M 4TP; tel 01-623 1266, fax 01-626 5258. The second is made by the Wyatt consultancy for the London Banks' Personnel Management group, and the full report is available only to the group's members.

Admittedly, while the job prospects of many staff in the sector are undoubtedly clouded, readers in other places may well find it hard to sympathise with the said bankers' plight. After all, since their material rewards are still typically better than those of comparable workers elsewhere, they can at least feel insecure in comfort.

There is nonetheless a way in which they seem often to be worse off than counterparts in industry and so on. It is my impression that City banks have mostly been slower than other organisations to twig that people do not work for bread alone, however well buttered. So the bankers are more apt to be seen by their employers just as commodities subject to the laws of demand and supply, to be bought in and cast off accordingly.

Despite the uncertainty, demand for some varieties of them remains strong. That much is clear from the table alongside, drawn from the Wren consultancy's survey of bank staff who came to it seeking a move in the City during the past six months.

The table first gives the lowest, average and highest salaries at which different sorts of higher-paid workers were recruited to new jobs, together with the age of the recruit in each case. The last column of figures, by which the various types of work are ranked, shows the average percentage differences between the recruits' new salaries and those they were on before. No account is taken of bonus entitlements or other benefits.

SALARY GOING-RATES IN CITY OF LONDON BANKING OVER PAST SIX MONTHS

	LOWEST		AVERAGE		HIGHEST		Average
TYPE OF WORK	Salary of new job £	*Age of job-mover*	Salary of new job £	*Age of job-mover*	Salary of new job £	*Age of job-mover*	salary change on move % (+/−)
Fund manager, equities	26,946	32	62,360	33	120,000	38	+28.5
Export/import marketing UK	22,000	29	57,333	34	80,000	38	+24.6
Senior investment analyst	21,739	26	25,869	28	30,000	26	+21.7
Stock Exchange securities manager	30,000	28	34,750	37	42,000	52	+20.3
Export & trade finance executive	22,000	29	53,166	32	70,000	35	+19.9
Loan administration manager	27,500	30	30,625	33	32,500	38	+19.5
Project finance executive	35,000	31	41,500	37	48,000	44	+18.6
Corporate finance executive	30,000	29	35,000	30	40,000	31	+16.7
Operations manager	42,000	38	43,666	39	45,000	41	+14.9
Chief accountant	32,500	31	37,500	35	40,000	41	+13.6
Premises & services manager	22,500	35	29,166	39	35,000	43	+12.9
Financial controller	40,000	38	45,000	41	50,000	44	+12.5
Treasury/cash consultant	27,500	28	39,166	36	50,000	41	+11.9
Foreign-exchange/deposit dealer	20,000	24	29,830	25	37,490	27	+10.5
Senior auditor	22,500	31	26,666	37	30,000	46	+10.3
Credit department manager	28,000	36	32,000	39	40,000	42	+ 7.5
Senior lending officer	30,000	36	40,000	36	50,000	36	+ 6.7
Assistant general manager	35,000	44	50,000	47	65,000	51	+ 5.3
Equities sales executive	25,000	25	32,500	29	40,000	34	+ 3.2
Bonds sales/traders	25,000	25	37,700	32	60,000	51	−15.5

For three quarters of the 20 types of staff listed, the change of employers brought an average rise in salary of more than 10 per cent. But for one variety – bonds-sales specialists, otherwise known as capital markets staff – the outcome was an average drop of 15.5 per cent. I can only assume that in their case, the typical reason for moving was not so much that the grass was greener on the other side of the fence, as that it had gone inhospitably brown on the present side.

Which raises the question of what happened to City bank staff who meanwhile stayed put. And the only answer available lies in a few figures kindly disclosed to me from the London Banks' Personnel Management Group survey, which is based on the pay of staff in post with organisations belonging to the group.

Unfortunately the method of classifying employees used in the second survey differs from the method favoured by Wren. Even so, the figures I can give refer to staying-put staff of the same ranks as the job-movers covered by the table above. The stayers' average changes in the past year, not just in basic salaries but in total money rewards, were:

Work	*Salary* %	*Total* %
Legal	+15.4	+14.9
Accounting	+10.7	+10.6
Merchant bkg	+10.6	+15.8
Operations	+ 9.7	+ 7.4
FX/treasury	+ 9.0	+ 3.2
Lending etc	+ 8.7	+ 7.6
D-P	+ 7.5	+ 5.4
Capital mkts	− 2.2	− 4.7

So it would seem that City bankers in general have less to gain from staying put than from moving elsewhere. On the other hand, for members of unfashionable species like capital markets staff at the present time, there is also less to lose.

Equities

HEADHUNTER Michael Brennan of the Rathbone Consultancy (77 Oxford St, London W1R 1RB; tel 01-439 1188) seeks a head of UK equity sales for a London broking concern he may not name. He promises to respect requests not to be identified to the employer at this stage. Besides having first-hand success in selling UK equities, candidates must already have led a sales team. Salary £80,000-£100,000, with usual City-type perks plus possibility of equity stake.

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K.R. Miller, Ref: L16085/FT. Male or female candidates should telephone in confidence for a Personal History Form, 0532-448661, Fax: 0532-444401, Hoggett Bowers plc, 7 Lisbon Square, LEEDS, LS1 4LZ.

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INTERNATIONAL APPOINTMENTS

COMMODITIES AND AGRICULTURE

LME prepares for tin's rehabilitation

Kenneth Gooding on plans to reintroduce trading on the London market

THIS IS a big day for tin – for two reasons.

Firstly, the London Metal Exchange, barring any last-minute hitch, will today give the go-ahead for its tin contract to be re-started, probably on June 1.

At the same time another important step is likely to be taken towards an out-of-court agreement between creditors and the International Tin Council which collapsed in October, 1985, with debts totalling more than £900m.

That collapse had a world-wide impact but the brunt was borne by the LME which at one point was nearly overwhelmed by the default. There were some bankruptcies and other departures which reduced the LME ring dealing membership from 28 to 21.

The experience was all the more painful because the LME was forced to suspend tin trading which had been a feature of the market since its inception in 1877.

So, although the tin was by no means the most important metal traded on the LME, its reappearance has important psychological significance.

On a wider front tin, one of the oldest metals known to man, is an important international commodity – illustrated by the fact that about 70 per cent of production comes from four developing countries (Brazil, Malaysia, Indonesia and Thailand) while the major consuming areas are the US, Western Europe and Japan.

For years before the suspension, the tin market was dominated by the ITC, an inter-governmental organisation charged with trying to stabilise tin prices by running a stockpile of metal and buying and selling on the market. It was not a cartel since representatives from consumer nations, including Japan and the European Community states, were among the 22 members.

Of the £906m owed by the ITC, £281m was due to 14 banks and the balance of £625m was spread variously between 14 LME brokers and two major trading houses in the form of forward contracts to buy tin at fixed prices.

One of those trading houses, Shearson Lehman, part of the American Express banking group, complained to the courts after the LME's "ring out" settlement in March, 1986, a fixed-price settlement by which it was hoped further bankruptcies would be prevented.

TIN MINE PRODUCTION ('000 tonnes)

1991-93	
at $8,000/tonne	205.0
at $10,000/tonne	165.0
1990	176.8*
1989	166.4*
1988	155.7
1987	138.3
1986	142.0
1985	158.0

* Projections assume a price of £8,000 a tonne
Source: Commodities Research unit

Last month a high court judge rejected Shearson's complaint and the way was paved for LME tin trading to start again.

There is also a feeling that the re-introduction of the tin contract is not likely to have any detrimental impact on the negotiations between the ITC creditors and government representatives which during the past two years have inched towards a settlement.

It has been widely reported that a document in the hands of the West German authorities showed that creditors are willing to accept £225m in settlement. However, the West Germans have recently suggested the document has no validity.

But there is no doubt that some serious proposals have been put to the governments and their responses will be considered at an ITC committee meeting today.

The LME faces one potential difficulty – the state of its tin stocks. They have fallen from 72,000 tonnes at the peak in February, 1986, to only 1,300 tonnes and this might prove to be a little tight.

Stocks have come down because the Association of Tin Producing Countries (ATPC) has successfully operated a production quota system for the past three years. Apart from Malaysia, Indonesia and Thailand, the APTC includes Australia, Bolivia, Nigeria and Zaire. Brazil, which has overtaken Malaysia as the world's major producer, and China, while not ATPC members, have voluntarily complied with the quota system.

That has helped whittle away about 20,000 tonnes of tin a year from the excess stocks, most of it provided by the LME.

The Commodities Research Unit suggests that tin production last year reached about 156,000 tonnes, well above the low point of only 138,000 tonnes in 1987. This means that output is back nearly to pre-crisis levels – about 158,000 tonnes was produced in 1985. (However, there were severe export controls that year and the non-communist world annual capacity was at the time about 200,000 tonnes.)

Consumption has grown substantially in the past three years, a time of high industrial activity world-wide, and reached about 175,000 tonnes in the non-communist world last year, according to the CRU. (Peak tin consumption was 214,000 tonnes in 1973.)

Can producers account for more than half of demand. Solder takes another 25 per cent. Chemicals provide the third major market – in particular tin is used in fungicides, biocides and as a stabiliser for polyvinyl chloride (PVC).

Mr Peter Kettle at the CRU reckons that in 1990 tin output will be about 177,000 tonnes and in the years between 1991 and 1993 will be in the range 165,000 to 206,000 tonnes.

Much depends on the price, which in February and March surged by more than $2,000 a tonne to move above $9,500. It has recently subsided to about $9,000 but Brazil seems to feel this is still dangerously high.

That country has indicated it would prefer the price to stabilise at not more than $8,000 a tonne so that there would be no temptation for new excess capacity to be created.

Brazil's threat to flood the tin market has not been put into effect so far – a clear indication that the supply-demand balance is much tighter than the producers believed until recently.

Mr Kettle points out: "There is no way the price could have rushed up to current levels if there was no limit of nearby-available tin from stocks or production."

Producers agree to continue quota scheme

By Wong Sulong in Kuala Lumpur

THE ASSOCIATION of Tin Producing Countries yesterday reaffirmed adherence to its supply rationalisation scheme, but added that in view of the temporary shortage of metal in the market, producers should sell whatever readily available stocks they had.

An ATPC statement said such disposal would not be included within the 106,400 tonnes of exports agreed to as permissible for the third year of supply rationalisation, which ends next February.

"We are asking our members to sell whatever stocks they have as we do not want to be accused of withholding tin to push up prices," said an ATPC official.

"At the same time we are not sure whether the recent price surge will last. It could be the work of speculators. We believe there is still a reasonably big overhang in the market and as such the SRS (supply rationalisation scheme) is needed."

The association's statement said there was an estimated 30,350 tonnes of tin at the end of last month comprising 13,383 tonnes of tin concentrate and 16,967 tonnes of metal.

This is still above the 20,000 tonnes target that is considered to be the normal market stock.

However, the statement added that about half the 16,967 tonnes in metal is not immediately available because of litigation arising from the collapse of the International Tin Council in 1985, "thus causing a temporary shortage of metal in the market."

Brazil and Indonesia told the meeting that they are able to sell more tin, but additional available volume was not disclosed.

The seven ATPC members, plus non-members Brazil and China, agreed to meet again on May 25 to review the market situation.

On the Kuala Lumpur tin market yesterday the metal rose by another 20 cents to reach a new three-and-a-half-year high of 26.49 ringgit a kilogram, equivalent to US$9,650 a tonne.

Coffee quotas cut again

COFFEE PRICES fell in London yesterday despite the third cut so far this year in the total world export quota by the International Coffee Organisation, writes David Blackwell.

Dealers said the nominal 1.5m bag cut had been widely expected. There is also widespread pessimism in the market about the outcome of this week's ICO talks about a new pact to replace the current agreement after it expires in September. The July contract closed at £1,073 a tonne, down £18.

The quota cut was triggered by a fall below 115 cents a lb for the ICO 15-day average indicator price.

Australia moves ahead on wheat market reform

By Chris Sherwell in Sydney

THE AUSTRALIAN Government is to introduce legislation tomorrow implementing new wheat marketing arrangements which will help to secure savings of more than A$100m (£48m) for the grains sector.

The move comes more than a year after a Royal Commission identified the potential savings in a report on grain storage, handling and transport. The commission criticised monopolistic bulk handling authorities, highly regulated rail freight systems, inefficient ports and state-controlled marketing authorities.

The Labor Government's legislation, part of a slow-moving programme of far-reaching micro-economic reform, will deregulate existing wheat marketing arrangements, which have been the responsibility of the Australian Wheat Board.

While retaining the Board's monopoly over wheat exports, the changes will alter its role in relation to domestic marketing, making it compete with private traders.

This has provoked concern on the part of grain growers and the rural-based opposition National party, and until last week it looked as though the reforms would fail because the Nationals and their senior coalition partners, the Liberals, who favour deregulation, could not agree.

But the two finally concurred on a common position under which they would back the deregulation of domestic marketing provided there was "reasonable progress" towards deregulation in the other crucial areas of transport, storage and handling which would reduce the burdens on growers.

The Government has since responded by announcing that its legislation will allow the Federal Government to exempt the Australian Wheat Board and other grain trading corporations from state-level regulations where these impede efficient transport, storage, handling and marketing.

This would allow the monopolies of state railway systems over grain transport to be over-ridden, but it has also begged serious questions about the Federal Government's rights in relation to the states, and thus seems likely to be challenged in the courts.

The move has prompted swift complaints from the Queensland State Government, which is controlled by the National Party and receives significant revenues from rail freight. There is also concern in Victoria, where the Labor Party is in power, about the losses its rail system would suffer in an unequal battle against road transport.

Turning back the tide of agricultural effluents

Bridget Bloom describes growing efforts to close the sluice gates on farm slurry

"BY MODERN standards, this farm was getting away with murder," said Tom Tupper, standing by his covered yards on the spot where his family have had a dairy farm "for at least a hundred years." The scene before him seemed idyllic in the spring sunshine – glossy green fields, stretching away to the distant trees of Chanctonbury Ring on the South Downs, the valley bisected by a stream of sparkling water.

Mr Tupper was talking about the pollution of that stream with cow dung and other effluents which regularly occured before he took over the farm in the late 1970s. He acknowledged that ending such malpractices had taken time: five years ago, sampling officers from the Southern Water arrived at the crack of dawn to test the stream, the first stage towards prosecution.

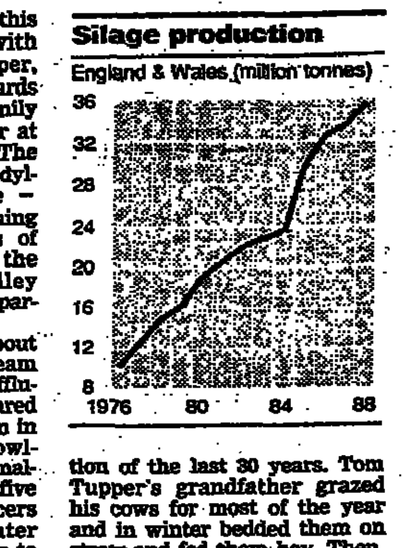
Today the water authority says the stream is crystal clear: along with other farmers in Sussex, Mr Tupper has cleaned up his act by investing in more efficient pollution control. As a result, Southern Water last year bucked the national trend – in England and Wales farm pollution was at an all-time high.

According to last week's joint report from the Water Authorities Association and the Ministry of Agriculture, Southern Water (covering most of Sussex, Hampshire and Kent) recorded only 95 farm pollution incidents, compared with 194 in 1987. But in England and Wales as a whole, the number rose from 3,890 to 4,141, with nearly 80 per cent occurring in the areas of five water authorities – North West, Severn Trent, Welsh, Wessex and South West. These are areas where dairy and beef farms, the main source of farm waste pollution, predominate.

Britain's farmers are increasingly worried. Tougher controls on farm pollution – whether farm waste in the form of slurry from animals or harmful chemicals from feed, fertilisers and pesticides – are on the horizon.

What could prove the first step in an EC-wide policy on farm pollution is a proposal now with the EC Council on nitrate control. This would establish protection zones over sensitive catchment areas where fertiliser use would be strictly controlled. Britain's new Water Bill, which by the year's end will result in the privatisation of water supplies and the creation of a new regulatory body, the National Rivers Authority, will include powers to set up such zones.

The problem of farm waste stems from the farming revolution of the last 30 years. Tom Tupper's grandfather grazed his cows for most of the year and in winter bedded them on straw and fed them hay. Then, too, pigs were kept outside or in straw-strewn sties. Labour was cheap and plentiful, making possible hand milking and mucking out. The farm yard manure went straight back to the land without harm.



Today, intensive rearing of pigs or chickens is all enclosed, while most dairy farmers now house their herds in covered concrete yards for much of the year. The amount of slurry – faeces and urine, together with washings from yards and mechanised parlours – which must be disposed of on an average farm is prodigious.

The other revolution is the production of silage, which has replaced not only hay but also much grain-based feed as dairy farmers have sought to boost efficiency. Silage is made from wilted grass – often, thanks to hefty doses of nitrogen, as many as three times a year. Piled onto a concrete apron and usually clamped down by black plastic sheeting held in place by heavy duty tyres, the liquor from silage is 200 times more polluting than domestic sewage. Slurry is a hundred times more so.

The main problem with both slurry and silage is that they pollute water courses – by effectively eating up all oxygen, they kill aquatic life. However, smells are increasingly irksome, especially to non-farmers in the countryside. Eagle eyes and noses in commuter cottages help men like Richard Hammond, one of Southern's chief water control officers, to do their jobs.

At present most farmers store their effluent in storage tanks or lagoons and spread or spray it, generally untreated though often diluted, onto their land. The ministry provides guidelines but there are no statutory controls on how or when this should be done. The main sanction is prosecution for polluting water courses, with fines of up to £2,000 possible (across the country fines averaged £390 last year, while prosecutions, at 148, were 34 per cent down on 1987).

Controls rely heavily on water authority officials who, if they are effective, know the farmers, regularly monitor their activities and cajole them into compliance. For Richard Hammond, prosecution is a last resort: "It shows we have failed to persuade farmers to reform," he says. But he admits that other authorities, and magistrates, may be more permissive. That, and the cost of equipment like storage tanks, have provided powerful incentives to a minority of farmers to be careless.

There is great uncertainty over what new controls will be introduced in the UK, partly because the whole question has been submerged in the Water Bill negotiations. But agriculture ministers – who have declared their dismay at the rise in farm pollution – have promised new regulations to ensure proper containment of sewage and slurry. Many farmers, however, fear the sort of controls now in force in the Netherland and Denmark, where there are also limits on spreading slurry and on stock densities.

Officials say it is too soon to know whether the grants of 50 per cent on the capital cost of new plant, which have been on offer since February, will be effective. Certainly there was great interest shown in new equipment at the lugubriously named Muck '89 exhibition earlier this month.

By no means everyone will be able to go as far as Donald Parker, manager of Springbok Farm in Surrey, which belongs to the Merchant Seaman's War Memorial Society. Springbok is installing a digester, a mini-submarine-like silver tank embedded in the earth which takes in slurry, silage effluent and dirty water and ultimately dispenses methane gas for electricity generation and dry compost like manure. Mr Parker is pleased with his new system, though it will not be fully operational for some weeks.

Other, less ambitious, possibilities exist, including a return to less intensive agriculture. What seems certain is that there will be no return to the bad old days when farm waste found its way as a matter of course in the country's rivers and streams.

Water pollution from farm waste 1988 – England and Wales: £4 from the Water Authorities Association, 1 Queen Anne's Gate, London SW1H 9BT

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL prices continued Monday's decline on the LME yesterday and analysts believe the three-month price is on course to test $14,000 to $14,200 a tonne in the absence of any significant fresh enquiry from big [illegible]

COCOA £/tonne

	Close	Previous	High/Low
May	784	777	785 779
Jul	794	791	797 792
Sep	808	805	810 805
Dec	838	835	840 835
Mar	827	824	829 824
May	826	826	828 822
Jul	[illegible]	[illegible]	[illegible]

LONDON METAL EXCHANGE

	Close	Previous	High/Low
Aluminium, 99.7% purity ($ per tonne)			
Cash	2100-5	2045-55	[illegible]
3 months	2057-9	2008-10	[illegible]
Copper, Grade A (£ per tonne)			
[illegible]	[illegible]	[illegible]	[illegible]

US MARKETS

[illegible]

New York

[illegible]

Chicago

[illegible]

LONDON STOCK EXCHANGE

Big rally leaves equities up on day

THE UK equity market underwent another searching examination yesterday but came through in fine style. Down some 23.5 points at its worst during an erratic trading session, the FT-SE 100 index fought back with sufficient determination to close with a minor overall gain on balance.

Against the background of the recent spate of bearish forecasts and worries about a possible imminent increase in domestic interest rates, the market came under further pressure at the outset of trading yesterday.

The FT-SE index opened with a near 8 point fall and quickly dipped off to register a 30 points-plus loss. Dealers cited further worries about the economy – the Chancellor's comments on inflation to the Commons Treasury and Civil Service Committee were said by dealers to have given little real assurance to the market – and a story that a major rights issue could be about to hit the market.

There were some worried looks around dealing desks as the FT-SE reached its 2,001.5 low point, but these quickly disappeared when a wave of determined institutional support came into the market. Demand was across the board and proved sufficiently solid to drive share prices up to the day's best levels at the close of trading.

The FT-SE index eventually settled with an impressive 6.3 gain at 2,031.3, a turnaround of over 30 points on the day. Apart from the institutional buying which steadied and then boosted the market, sentiment was helped later in the session by speculation that a major takeover bid could be in the offing in the foods sector.

The recovery was also given a boost by County NatWest, the UK investment house, taking a more positive view of the market, against the bearish stance in recent days by UBS Phillips and Drew and Warburg Securities.

County's Bob Semple said: "Shortterm uncertainties remain, and the market will trade nervously in its recent range. But our 12-month FTSE target has been upped to 2,350 as our corporate earnings and dividend projections have been upgraded."

Turnover yesterday came out at an improved 491.4m.

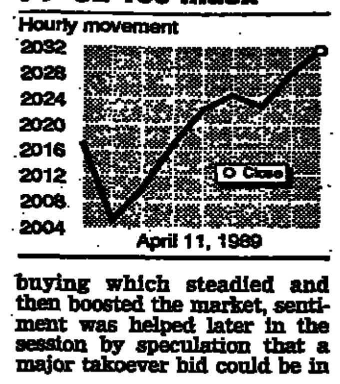
Account Dealing Dates

First Dealings:	Apr 3	Apr 17	May 2
Option Declarations:	Apr 13	May 4	May 18
Last Dealings:	Apr 14	May 5	May 19
Account Day:	Apr 24	May 15	May 30

*New time dealings may take place from 9.00 am two business days earlier.

FT-SE 100 Index

Hourly movement



FINANCIAL TIMES STOCK INDICES

	Apr 11	Apr 10	Apr 7	Apr 6	Apr 5	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.05	86.16	86.08	86.54	86.70	91.07	89.29 (9/2)	86.05 (11/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.77	97.16	97.24	97.48	97.88	97.74	99.59 (16/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1672.8	1669.4	1683.0	1684.2	1705.4	1433.7	1761.1 (14/3)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	185.6	187.2	189.0	188.9	191.0	220.9	198.1 (28/3)	164.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.60	4.61	4.56	4.55	4.50	4.48				
Earning Yld %(full)	11.19	11.21	11.05	11.03	10.90	11.72				
P/E Ratio(Net)(*)	10.79	10.78	10.92	10.94	11.08	10.47				
SEAQ Bargains(5pm)	24,473	24,973	25,266	32,289	35,919	24,173				
Equity Turnover(£m)†	-	891.02	1494.26	1982.13	1113.93	1363.00				
Equity Bargains†	-	28,193	30,096	39,844	48,064	26,324				
Shares Traded (ml)†	-	412.6	570.6	850.0	457.6	383.5				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1663.7	1651.8	1654.4	1660.2	1665.3	1666.2	1666.9	1670.1

DAY'S HIGH 1672.8 DAY'S LOW 1649.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. †Nil 10.70 †Excluding intra-market business. * Corrected figure.

● S.E. ACTIVITY

Indices	Apr 10	Apr 7
Gilt Edged Bargains	91.2	102.6
Equity Bargains	162.7	195.0
Equity Value	2003.1	3020.3
5-Day average		
Gilt Edged Bargains	102.5	105.7
Equity Bargains	254.6	276.4
Equity Value	2651.5	2893.5

● London Report and latest Share Index: Tel. 0898 123001

Berisford stake activity

Berisford International, the sugar processing and commodities group, was a notable performer as the shares climbed on well-informed talk that the Irish meat millionaire, Mr Larry Goodman, was buying stock. Mr Goodman already has 7.4 per cent of Berisford, and dealers speculated that he may have raised his stake to at least 8 per cent. A large bargain of 2.5m shares was sighted, and observers noted that the broking house which helped Mr Goodman build his 8.8 per cent interest in Unigate was on the bid in Berisford throughout the day. At the close Berisford shares were 5 better at 155p.

Why the Irishman would want to add to his holding in Berisford troubles analysts as they can find little in the group that might interest him, except perhaps British Sugar's EEC sugar-beet quotas. One follower of the stock, Mr Carl Short of Kitcat & Aitken, believes Berisford is not under immediate threat from Mr Goodman: "On balance I think his stake in Berisford is benign rather than aggressive. In contrast, there are areas of Unigate that one can identify as being of real interest to him, in particular its UK dairy operations."

Unigate closed 4 higher at 351p on turnover of 1.3m shares amid talk of a big buyer in the market.

Next relief

The market took the news of a 33 per cent drop in annual profits to £62.3m at fashion retailer Next in its stride. Although earnings were slightly lower than most City forecasts, the general mood in the market was one of relief. "They could have been a lot worse," was a common response from traders. By the close Next were 3 firmer at 145p, and turnover was an impressive 13m shares, although dealers said that most of that came from a large "bed and breakfast" deal completed early on in the session.

The longer term consensus on Next remains bearish. Although the company has talked of zero volume growth in UK retailing, some analysts believe this could be an optimistic projection given the problem Next is facing from rising costs. Ms Tanya Nelson, stores watcher at Kleinwort Benson, said of Next: "It is expensive compared to the sector, and the company has an awful lot to prove on a one to two year view before we can have confidence in its quality of earnings. I'd only stay in for the yield; otherwise the stock is a sell in the long-term."

The retail team at broking house BZW adopted a similar approach to the figures. Although accepting that the downside in the stock was limited, BZW warned: "With several nettles yet to be grasped, it is much too early to buy Next for recovery. The shares could be a sideways performer for some time."

Speciality metal

Talk of rising Titanium prices boosted specialist chemical group Cookson. County NatWest WoodMac issued an internal buy note pointing out that US company Du Pont was holding meetings in London and Edinburgh to say that its Titanium price would rise following the lead set by Hanson subsidiary SCM. Cookson jumped 9 to 295p while Hanson firmed a penny to 180p. Turnovers were 2.2m and 4.4m respectively.

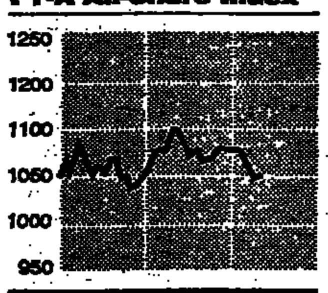
The Titanium price could rise by as much as 5 per cent, but Mr Geoff Allum at County said that Cookson was in the happy position of making prices to gain market share or raising them to increase margins. He argued that the only justification of Cookson's current low rating was the talk that it might be forced to counter bid if Minorco tried to buy Johnson Matthey, where Cookson has an 8.1 per cent stake. Mr Allum said that Cookson wants Johnson Matthey's ceramic colours and glazes activities and is holding its stake as a lever to that end.

Agency stories

Reports that Saatchi & Saatchi was considering the disposal of its Hay group unit, and of rival agency WPP acquiring a small shareholding, led to good activity and a welcome rally in the shares. Hay, which accounts for around half Saatchi's consulting division, could be sold to management, so one of the stories went, leaving Saatchi to concentrate on advertising.

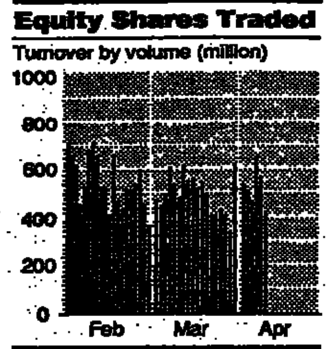
Saatchi told inquirers yesterday that it had no knowledge of the WPP stake and analysts thought the story wide of the mark because of the latter's suspected interest in the US Ogilvy group. Nevertheless Saatchi rebounded 10 to 294p in response to persistent support.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



VPI shares tumbled as Mr Andrew Mills, sector researcher at BZW, confirmed that he had downgraded the stock and was not recommending purchases. The company is likely to be affected by the reduced level of mergers and acquisitions activity in the US, maintained Mr Mills. Carter, its US subsidiary, was expected to make a trading profit of £2m in the current year from M&A activity but a figure of £1m now seems more likely, he argues.

Although most of the other parts of the group are still performing up to expectations, the researcher has reduced his forecast of current year profits from £16.5m to £15m. VPI shares came under pressure – up to 500,000 were believed to have changed hands – and the price dropped to 158p before rallying to close 13 down on the day at 161p.

Overseas earners benefitted again from bearish sentiment on the UK economy. Unilever put on 8 at 525p, Glaxo improved 10 at 1345p, Smith and Nephew added 3 at 143 and Fisons closed 7 to the good at 291p.

Wellcome was a strong performer, assisted by the start of a series of investor presentations from Mr Steve Plag and Mr Jonathan de Pass, the BZW pharmaceuticals analysts. Some dealers were also looking to the interims which they said were due on April 27.

The usual US interest in Reuters, ahead of a Goldman Sachs presentation in New York tomorrow, was supplemented by the first UK institutional buying for several weeks, said dealers. The price streaked 21 ahead to 707p.

ADT was a touch better at 155p on buying interest from both sides of the Atlantic. Kleinwort Benson held a presentation for investors and Mr Paul Burke, its analyst, is recommending both the shares and the 5¾ per cent convertible preference stock. The latter "locks you into a yield of about 9 per cent with no downside," he said.

Turnover in TSB was again impressive; 8.9m shares changed hands as the price slipped against the trend to 111½p, down 2¼ on the day. Talk that Morgan Stanley, the US securities house, was about to downgrade TSB undermined confidence in the stock, said dealers. Morgan Stanley later confirmed that it was lowering its profits forecast for the year ending October 1989 from £402m to £377m.

Abbey Life were heavily traded, ending the day 8 better at 322p on turnover of nearly 3m shares as investors sought the stock ahead of next week's overall 24.9p dividend payment. A big seller of 1m Sedgwick shares saw the insurance broker's price ease slightly to 232p; total turnover was 3.1m.

Among mixed brewers Whitbread were actively traded, the "A" shares closing steady at 349p on turnover of 2.3m. Interest in the group has been stimulated by a circular from broking house Hoare Govett, which has taken a close look at Whitbread in light of the MMC's recent report into the brewery tied house system.

Hoare believes Whitbread will respond to the MMC requirement that no brewer own more than 2,000 pubs by splitting into two separate companies; one to brew beer, the other to sell it. Hoare has revalued Whitbread on the basis that it will be divided in two, and come up with an asset value of 640p, almost double the current price. "Institutions have the chance to invest on favourable terms in the growing division of Whitbread and we would recommend that the chance be taken by buying Whitbread shares now," concluded Hoare.

The possibility of higher mortgage rates hung over housebuilders and George Wimpey dipped 9 more to 269p. Many construction issues regained early falls, although Taylor Woodrow (606p) closed slightly easier on balance; after revealing earlier a 40 per cent annual profits rise the shares had dropped to 595p. Creston jumped 11 to 44p in a tight market on rumours of a shopfitting contract.

Disappointing first-half results lopped 12 from Wardle Storeys, at 400p, while "sell into strength" advice from BZW took Foseco back 5 to 294p awaiting today's figures. Allied Colloids hardened to 141¼p following a Citicorp Scrimgeour Vickers buy recommendation.

Shares in leather manufacturer Pittard Garner (PG) rocketed 47 to 278p after the Monopolies Commission ruled that the acquisition of PG by either Strong & Fisher, a rival leather group which has already bid £41m, or by foods concern Hillsdown, which has 16.6 per cent of PG, would not be against the public interest. Strong & Fisher closed 10 easier at 231p and Hillsdown a touch firmer at 262p.

Markheath Securities raised its stake in Camford Engineering by 160,000 past 25 per cent of the shares in issue. Camford ended at 270p, up 9.

Gateway were again actively traded. The price added 3¼ at 179¼p as turnover reached nearly 9m shares on speculation that a management buy-out is in the offing. Dealers expect an announcement from the group this morning.

Positive noises from two brokers – Hoare Govett and BZW – helped Norcros touch 308p before it closed 7 higher at 307p. According to Mr Francis Reid at Hoare, the stock is worth looking at for the 4.9 per cent final dividend yield alone.

TV shares improved a penny or two across the board. The star performer was Scottish TV, up 9 at 418p.

News of heavier annual losses depressed Early's of Witney which closed 11 down at 141p.

Polly Peck added 5 more at 322p amid continuing hopes that the group might beat the £142.5m profits forecast, made at the time of the rights issue, and that all would be revealed this morning with the annual results. County NatWest WoodMac researchers were confident that the strengthened management team will continue to deliver performance. The rating has yet to recognise this, they say.

The energy arena was among the market's best performers. The majors shrugged aside recent forecasts of probable underperformance, and proved resilient compared with the rest of the market. Crude oil prices made good progress, boosting sentiment, and were some 35 cents a barrel ahead towards the close of business after hints of bullish moves by the Saudis about overseas contracts and the problems associated with the Forties "A" platform.

Shell, where dealers spoke of aggressive US buying and switching out of Exxon, were finally unaltered at 380p on turnover approaching 4m. There was a market tip around for BP where the old stock settled at 275p after turnover of getting on for 6m.

Enterprise provided the highlight of the exploration and production stocks, the shares advancing strongly to close 11 firmer at 515p after news that the convertible loan stock had been accepted as to 98.4 per cent with the remainder sold in the market "at a premium" according to the company.

Dealings in traded options reached their highest level since January, with business in GEC reaching as many as 13,002 contracts.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 36

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (67). BRITISH FUNDS (1) Treas. 2pc [illegible] AMERICANS (3) [illegible] CANADIANS [illegible] BANKS [illegible] BREWERS (2) [illegible] BUILDINGS (1) [illegible] CHEMICALS [illegible] STORES [illegible] ELECTRICALS [illegible] ENGINEERING [illegible] INDUSTRIALS (11) AIM, [illegible] AS, Green (E.) & Part., Harris (Ph.), Hanson, Jackson Bourne, Johnson Cleaners, Keep Tst., Laidlaw Thomson, Sotheby's Class "A", INSURANCE (2) Amer. Intl., USLIFE, LEISURE (2) Airtours, Barr & WAT "A", MOTORS (1) Lookers, NEWSPAPERS (1) Home Counties, PAPERS (1) Ogilvy Grp., PROPERTY (2) Five Oaks Invs., Trevian Hldgs., SHIPPING (2) IoM Steam., Runciman (W.), SHOES (1) Pittard Garner, SOUTH AFRICANS (1) Tongaat Hul., TRUSTS (10) [illegible] OILS (2) [illegible] OVERSEAS TRADERS (1) [illegible] MINES (3) [illegible] THIRD MARKET (1) Hildore.

NEW LOWS (24). BRITISH FUNDS (1) [illegible] AMERICANS (1) [illegible] CANADIANS [illegible] BANKS [illegible] STORES (2) [illegible] ELECTRICALS (2) [illegible] ENGINEERING (1) Aerospace Eng., FOODS (2) Barr (A.G.), Matthews (B.), INDUSTRIALS (4) De La Rue, Omnitech, Rockware, Walter Greenbank, INSURANCE (1) PWS Hldgs., LEISURE (4) BCE Hldgs., Medminster, Prestwich, Prism Leis., PAPERS (0) PROPERTY (0) TEXTILES (1) Atkins Bros., TOBACCOS (1) BAT Inds 12¼pc Ln, TRUSTS (2) Dominion Intl., London Forfaiting, Perpetual, MINES (2) Mawson Pacific, Sandhurst Mining.

APPOINTMENTS

Halifax restructures

The HALIFAX BUILDING SOCIETY is restructuring its senior management. The following first phase becomes effective from June 1. Mr James D. Birrell continues as chief excutive, but adds group chief executive and managing director of the building society operation. Mr D. Crawford Laughlin continues as general manager group personnel and central services, and will become an executive director. Mr D.R. Taylor continues as managing director, Halifax Estate Agencies, and will become an executive director. Mr M.G. Whitehouse will become operations director of the building society and an executive director. Mr Gren J. Folwell will become finance director, succeeding Mr Richard C. Wheway when he retires in October.

Argyll deputy chairman

ARGYLL GROUP has appointed Mr D.G.C. Webster as deputy chairman responsible for corporate finance, corporate development and strategic planning. He was group finance director, and is succeeded by Mr C.D. Smith, who was director and group financial controller. Mr P.A. Frendo, Mr P.O. Kieran and Mr G. Wotherspoon, directors of principal operating subsidiary Safeway, become executive directors of the group. Miss Prue Leith, a consultant and non-executive director of Safeway, is appointed to the main board as a non-executive director. Mr T.E. Spratt has ceased to be an executive director of the group, but continues as a non-executive director.

Prudential Mutual board changes

Lord Farnham becomes chairman of the PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION after the annual meeting on April 19, and Mr P. Baring is made deputy chairman. They succeed Mr D.L.M. Robertson and Mr J.E.A.R. Guinness who are retiring. Two non-exectuive directors have been appointed - Mr M.C. Findlay, vice chairman of Whitbread & Co, and Mr S.M. Robertson, a director of Kleinwort Benson Group. Mr P.N. Buckley, Mr R.P. St G. Cazalet and Mr V.P. Fleming, non-executive directors of the parent company, become non-executive directors of principal operating subsidiary Provident Mutual Managed Pension Funds. Senior investment managers of the parent company Mr R.A.P. Hayes and Mr G.A. Upsdell become executive directors of the subsidiary, and Lord Farnham and Mr Baring take over as chairman and deputy chairman.

The following have been appointed to the board of SEDGWICK: Mr Reginald C. Buckland, chairman, Sedgwick UK (London); Mr Hugh C. Gemmell, chairman, Sedgwick UK (National); Mr Stephen J. Hirst, chairman, Sedgwick Marine & Cargo; Mr Michael S. Ross Collins, chairman, Sedgwick European Risk Management Services; Mr Doyle P. Spell, chief executive, Southern Marine & Aviation Underwriters Inc (US); David S. Strauss, chief executive, Sedgwick Financial Services Group; Mr David P. Trezies, chairman, Sedgwick Aviation.

■ Mr Trevor Osborne, chairman of Speyhawk, has been appointed a non-executive director of REDLAND.

■ Mr Peter Stringer has been appointed group managing director of UNITED GUARANTEE, and Mr Anthony M. Stern becomes a non-executive director.

■ Mr Julian E. Markham, chairman of Glengate Holdings, has been appointed an independent governor of THE LONDON INSTITUTE.

■ BRITISH CERAMIC RESEARCH has appointed Mr Richard Rowe as company secretary.

■ Mr Donald Newell has been appointed senior partner of HILLIER PARKER MAY & ROWDEN succeeding Mr Leonard S. Jarrad.

■ Mr Alan W.F. Russet and Mr Ian J. Parker have been appointed directors of AMBRIT INTERNATIONAL.

■ Mr Peter Simonis, chairman of British American Offshore, has been appointed a non-executive director of POLYMARK INTERNATIONAL.

■ Ms Heather Mansfield has been appointed head of business affairs at SelectTV. She was programme finance manager with the BBC.

■ GRAHAM MILLER & CO (NORTHERN), chartered loss adjusters, has appointed Mr John Cadley as chairman, Mr Graham Garside as chief executive, and Mr Barry Whyte as managing director.

■ Mr Mark Wilderspin has been appointed development director of the specialist homes division of BALFOUR BEATTY HOMES, a BICC company.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1200)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	47.77	48 24	51.31	-0.09	5.34
Gilts & Fixed Int	6	111 1	111.1xd	118 0	+0 1	8.47
High Inc Equity	6	125.0	128.0xd	136.1	-1 1	4.67
Worldwide Bond	6	186.9	186.9xd	198.2	-0 8	4.89
Capital Growth						
American Growth	6	161.7	163 6	174 0	-0 8	1.66
Asian Pacific	6	87 40	89.27	94 96	-0 27	0.91
Assets & Earnings	6	154.3	154 3	166 1	-0 7	2.26
Capital Reserve Acc	0	84.07	84.07xd	84.12	+0.04	4 76
Comdty & Energy	6	94.30	94 30xd	100 9	-0 8	0 00
1992 Enterprise	6	53 56	54.57	58 05	-0.31	3.10
European Capital	6	80.24	80.80	85.95	+0 04	0 87
General	6	165 7	165 7xd	177 3	-1.1	2.54
Japan	6	106.9	108.7	115 6	+0 4	0.00
Mastertrust	6	80 09	80 09	85 66	-0.2	1.88
UK Growth Acc	6	193 5	193.5	207.0	-1.1	1.36
UK Growth Dist	6	129 0	129 0xd	138 0	-0 8	2.04
US Emerging Cos	6	46 93	48.55	51 64	-0 06	0.00
Income & Growth	6	276 7	276 7	296 0	-2 4	3.46
Ethical	6	47 24	48 36	51.44	-0.23	2.43

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5	26 87	26.87xd	28.69	-0.14	4.32
European	5½	57.31	57.31	61 17	+0.09	0.00
European Income	5½	55.43	55 43xd	59 17	-0.31	1.38
Exempt	1	760.1	760 1xd	793.3	-1.8	3 56
Extra Income	5	41.06	41 06xd	43 83	-0 72	4.51
F East Emerg Econs	5½	38.12	38.12	40.83	+0.16	0.00
Fund Inv Tst	5	114 4	114.4xd	122.2	-0 90	1 97
Do Accum	5	174 4	174 4xd	186.2	-1.30	1.97
Gilt & Fixed Int	5½	21 60	21.60xd	23 05	-0 02	10 14
Income & Growth	5½	68 67	68 67xd	73.30	-1.30	3 84
Intl Income	5½	58.33	58.33	62.27	-0.62	5 17
Japan	5½	181.5	181.5	193.7	-0.5	0 00
Pacific	5½	312.9	312.9xd	335.1	+1.00	1.25
Secure Income	5	192 4	192.4	205 4	-2 70	5 41
Sentinel Spec Sits	5	260 4	260 4	278 0	-4 00	2.98
Smaller Companies	5½	58 63	58 63xd	62.59	-0.58	3.29
Special Situations	5½	67.50	67 50xd	72.06	-1.30	0 88
UK Growth	5	34 89	34 89xd	37 24	-0 62	2.60
UK Top 100	5½	24.29	24.29	25 93	-0.09	4.24

Midland Unit Trusts Ltd—Contd.

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	115.4	117.5xd	125 0	-1 4	2.96
PM Income & Gth	5	102.5	103.3xd	109 8	-1 5	4.77
PM European Gth	5	49.40	49.40xd	52.55	+0.15	0.04
PM Japan Gth	5	78.49	78.63xd	83.64	+0.46	0.29
PM Overseas Gth	5	50.44	50.44xd	53.65	+0.12	0.49

Prudential Holborn Unit Tsts Ltd (1445)H
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn UnitLine 0800 010345

Smith & Williamson Unit Tst Mgrs (1000)F
1 Riding House St, London W1A 3AS. 01-637 5377

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W Senior Secs	5	249 6	257.9	272.9	-0.9	1.23

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Contbl & Equity	5	62.95	65.66	69.85	-0.20	3.69
European	5	61.03	61.45	65.38	-0.05	0.32
Far Eastern	5	57.29	57.33	60.99	+0.36	0.96
Growth Inc	5	87.15	90.33xd	96.09	-0.06	1.49
Growth Acc	5	87.15	90.33xd	96.09	-0.06	1.49
Income Inc	5	80.26	81.79	87.01	-0.41	3.66
Income Acc	5	80.26	81.79	87.01	-0.41	3.66
Property Share	5	54.32	54.92	57.99	-0.34	1.13
Smaller Co's	5	58.68	61.74	65.87	-0.08	1.46
Formerly WHC Trust Managers Ltd						
Nth American	5	54.95	54.95	58.76	-0.16	1.85
International	5	44.13	44.13	47.19	+0.11	1.59
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	95.57	95.57	100.57	+0.69	3.92
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	60.99	63.35	67.39	-0.39	3.02
YUTM UK Eqty Inc Tst	5¼	58.51	60.70xd	64.57	+0.85	4.73
YUTM Intl Gwth Tst	5¼	46.84	46.04xd	50.00	+0.86	1.09

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or –	Yield
Baillie Gifford & Co Ltd				
Int I Expt Feb 15	428.8	441.3	—	—
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Mar 31	490.00		—	4.76
Fxd Int Sec Mar 31	142.20		—	10.06
Deposit Mar 31	100.00		—	12.56
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Mar 31	472.94		—	5.05
Accum Mar 31	1543.14		—	—
Edinburgh Fund Mngrs PLC				
[illegible]				

INSURANCES

	Bid Price	Offer Price	+ or –	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	257.5	271.1	+0.1	—
Equity Acc	811.7	854.5	-4.4	—
Property Acc	865.7	911.3	—	—
Far East Acc	195.2	205.5	-0.4	—
European Acc	21.2	22.4	—	—
Managed Acc	643.4	677.3	-2.9	—
Managed Cap	366.1	385.4	-1.7	—
O'seas Earnings Acc	539.4	567.8	-3.0	—
Gilt Edged Acc	311.2	327.6	+0.4	—
American Equity Acc	415.1	437.0	-0.4	—
American Man. Acc	193.4	203.6	-0.3	—
American Prop Acc	136.9	144.3	-0.3	—
Pen.F.I.Dep.Cap	283.4	298.4	—	—
Pen.F.I.Dep.Acc	482.6	508.1	+0.1	—
Pen. Prop. Cap	568.9	598.9	-0.1	—
Pen. Prop. Acc	1069.7	1126.0	—	—
Pen. Man. Cap	781.8	823.0	-4.4	—
Pen. Man. Acc	1469.2	1546.6	[illegible]	—
Pen. Gilt Edg. Cap	312.5	329.0	+0.4	—
Pen. Gilt Edg. Acc	479.9	505.2	+0.6	—
Pen. Eq. Cap	1274.3	1341.4	-16.8	—
Pen. Eq. Acc	1815.1	1910.7	-23.8	—
Pen. Am. Eq Cap	131.4	138.4	-0.3	—
Pen. Am. Eq Acc	157.7	166.0	-0.5	—
Pen. Far East Cap	233.1	245.4	—	—
Pen. Far East Acc	279.9	294.7	+0.2	—
Pen. Euro Cap	23.7	25.0	-0.1	—
Pen. Euro. Acc	25.6	27.0	-0.1	—
Pen. B.S. Acc	527.5	553.7	+0.2	—
Pen. B.S. Cap	318.3	334.3	+0.1	—
Pen. D.A.F. Acc	369.8	369.8	+0.1	—
Pen. D.A.F. Cap	250.6	250.6	+0.1	—
Pen. Mortgage Cap	142.4	149.9	—	—
Pen. Mortgage Acc	171.0	180.0	+0.2	—
[illegible] Funds				
Pen Equ Cap	26.6	28.1	—	—
Pen Equ Acc	27.4	29.1	—	—
Pen Am Eq Cap	28.8	30.4	—	—
Pen Am Eq Acc	29.9	31.5	—	—
Pen Far East Cap	29.6	31.2	+0.1	—
Pen Far East Acc	30.6	32.3	+0.1	—
Pen Euro Cap	32.5	34.3	+0.1	—
Pen Euro Acc	33.7	35.5	+0.1	—
James Capel Funds				
Pen Equ Cap	27.8	29.3	-0.2	—

[illegible]

Continued on next page

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Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	293.4	308.9	----	-
Man Pens Inc & Cap Fds	384.9	405.2	----	-
Money Fund	118.2	124.5	----	-
Pens Mngd Fd (Init)	102.0	107.4	----	-
Pens Mngd Fd (Acc)	122.3	128.8	----	-
Pens FT30 Fd (Init)	142.6	150.2	----	-
Pens FT30 Fd (Acc)	170.9	179.9	----	-
Pens O'seas MgFd(Init)	71.7	75.5	----	-
Pens O'seas MgFd(Acc)	86.0	90.6	----	-
Pens Fxd Int Fd (Init)	104.4	109.9	----	-
Pens Fxd Int Fd (Acc)	125.2	131.8	----	-
Pens Deposit Fd (Init)	104.1	109.6	----	-
Pens Deposit Fd (Acc)	124.7	131.3	----	-

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	111.0	117.0	-1.0	-
Building Soc. Fd	169.0	178.0	----	-
Balanced	273.0	288.0	----	-
European	158.0	167.0	----	-
GT Managed	174.0	184.0	-1.0	-
Gartmore Mngd	112.0	118.0	----	-
German	108.0	114.0	+1.0	-
Gilt	175.0	185.0	----	-
Global	48.0	51.0	----	-
High Inc.	116.0	123.0	----	-
International Equity	181.0	191.0	----	-
Japan	239.0	252.0	----	-
Managed	62.0	66.0	----	-
Property	276.0	291.0	----	-
R. W. Imperial Gold	134.0	142.0	----	-
UK Equity	364.0	384.0	-1.0	-
Pension Funds				
American	138.0	146.0	----	-
Building Soc. Fd	168.0	177.0	----	-
Balanced	212.0	224.0	----	-
European	158.0	167.0	----	-
German	98.0	104.0	----	-
Gilt	148.0	156.0	----	-
International Equity	135.0	143.0	----	-
Japan	137.0	145.0	----	-
Managed	62.0	66.0	----	-
Property	213.0	225.0	----	-
UK Equity	327.0	345.0	----	-

Prolific Life & Pensions Ltd
Stramongate Kendall Cumbria LA9 4BE 0539 33733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Gwth Mngd	562.7	593.0	(z)	-
Adventurous Mngd	116.9	124.4	(z)	-
Secure Mngd.	106.4	112.2	(z)	-
Cash Fd.	229.9	242.3	(z)	-
Property Fund	282.0	300.1	(z)	-
Equity Fund.	616.4	655.8	(z)	-
Fxd. Int. Fund.	298.1	314.2	(z)	-
International	275.5	293.1	(z)	-
High Income	463.4	493.0	(z)	-
Far East	424.5	447.4	(z)	-
North American	243.7	259.3	(z)	-
Special Sits.	575.6	612.4	(z)	-
Technology	228.3	242.9	(z)	-
Extra Inc Fd.	274.6	292.2	(z)	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	528.1	555.9	-0.9	-
Equity	756.3	796.2	-1.7	-
Global Equity	220.4	232.0	+0.2	-
Fixed Interest	396.6	417.5	+1.3	-
Property	380.0	400.0	----	-
Cash	153.1	161.2	+0.0	-
Index Linked Gilt	193.9	204.2	+0.4	-
Guaranteed	12.50		+0.44	-
International Money	196.6	207.0	+0.1	-
North American	60.9	64.2	-0.5	-
Japanese	133.2	140.3	+0.1	-
European	83.7	88.2	-0.2	-
Special Situations	110.6	116.5	-0.5	-
Communications	94.4	99.4	-0.1	-
Smaller Companies	105.0	110.6	-0.4	-
International Small Cos.	116.9	123.1	-0.2	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Mar 29	£148.94	154.09	----	-
Equity Mar 29	£164.06	170.08	----	-
International Mar 29	£23.87	24.59	----	-
Intl Bond Mar 29	£11.41	11.57	----	-
Fixed Int Mar 29	£71.51	72.47	----	-
Index Linked Mar 29	£60.42	61.16	----	-
Property Mar 29	£106.30	112.70	----	-
Cash Mar 29	£20.4200	20.4200	----	-
Pre-Linked Retirement Plan				
Managed Apr 5	370.2	385.7	----	-
Cash Apr 5	191.9	199.9	----	-
Prudential Pensions Investment Account				
Pens Mngd Apr 10	148.1	155.9	-1.0	-
Pens UK Eq Apr 10	283.9	298.9	-3.0	-
Pens Intl Apr 10	173.3	182.5	+0.8	-
Pens Fixed Apr 10	162.8	171.4	-0.3	-
Pens Index Lk Apr 10	153.3	161.4	+0.1	-
Pens Cash Apr 10	125.5	132.2	----	-

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd	114.7	120.7	----	-
Balanced Ptflio Fd	303.1	317.9	----	-
Cautious Ptflio Fd	119.4	125.6	----	-
Elite Fund	104.0	109.4	----	-
European Fund	79.5	83.6	----	-
Far East Fund	110.0	115.7	----	-
Fixed Interest Fund	239.9	252.5	----	-
International Fund	251.5	264.7	----	-
Money Fund	174.2	183.3	----	-
N. American Fd	108.4	114.0	----	-
Property Fund	411.3	432.8	----	-
UK Equity Fd	367.9	387.2	----	-
A L M Brewin Dolphin Fd	89.8	94.5	----	-
Swim Select Inv	109.0	114.7	----	-
Chart Safety First Bd	107.9	113.6	----	-
Exec Master Fd.	91.3	96.0	----	-
Hardwick Growth Fd	108.4	114.1	----	-
Bentley Haig LR Port	97.9	103.0	----	-
Milbourne Spec Port	107.8	113.5	----	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

BERMUDA AUTHORISED

JERSEY (**)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

1989 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
32⅝	26¼	Abbott Laboratories‡	32 xd	-⅛	$1.20	-	2.2
537p	361p	♦Allegheny & W 1c	500p	-9	30c	-	3.5
15	12	Amax $1	14¼	-⅛	40c	-	1.6
11⅞	956p	Amdahl 5c	10⅜xd	.....	h10c	-	0.6
31⅞	25½	Amer. Cyanamid $5	30⅞	....	$1.20	-	2.3
19⅝	14	Amer. Express 60c	18⅞xd	-⅛	84c	-	2.6
12¼	854p	Amer. Medical Int. $1	12½	-⅛	♦72c	-	3.4
19	15¾	American T. & T. $1	18⅝	-⅛	$1.20	-	3.8
30	26	Ameritech $1	29⅝	-⅛	h$2.92	-	5.8
14	9⅝	BankAmerica $1	13	-⅛	60c	-	2.5
25⅝	19⅛	Bankers N.Y. $1	24 xd	-⅛	$2.08	-	5.0
45⅜	38½	Bell Atlantic $1	44⅜	......	$4.08	-	5.4
25¼	19⅜	BellSouth Corp.	24½	-⅛	$2.36	-	5.6
15⅞	12	♦Bethlehem Steel $8	14¼xd	.....	-	-	-
11⅝	929p	♦Bio-Rad Labs. A	11¼	+⅛	-	-	-
17⅛	15¼	Bowater Inc	16⅜	-⅛	$1.12	-	3.9
12	9⅛	Brunswick 75c	11½xd	+⅛	44c	-	2.2
32⅝	28⅜	CPC Intnl. 25c	32⅝	+⅛	$1.60	-	2.9
19¼	17⅜	CSX $1	18⅛	+⅛	$1.24	-	4.0
798p	333p	California Engy	518p	.....	-	-	-
22½	17¼	Campbell Soup 15c	22½	+2⅜	92c	-	2.4
22	15	Chase Manhattan $12½	21¼	-⅛	$2.36	-	6.3
21½	17	Chem. Banking Corpn	20⅞	.....	$2.72	-	7.8
16¼	14	Chrysler $6¼	14 xd	-⅛	$1.20	-	4.9
17⅝	14	Citicorp $1	16⅞xd	-⅛	$1.48	-	5.1
230p	162p	CityFed Fin. Corp	162p	-8	4c	-	1.4
28½	25¼	Colgate-Palmolive $1	28 xd	+⅛	s$1.48	-	3.1
21½	16⅞	Cons Freightwys 62½c	19⅞	+⅛	98c	-	2.9
12⅝	10¾	Cont'l Bank Corp $4	12¼	-⅛	8c	-	0.4
388p	312p	♦Corporate Data Scnce	335p	.....	-	-	-
386p	278p	Cullinet Sftwr 1c	324p	-1	-	-	-
22	21	Dana Corp. $1	22⅞	.....	$1.60	-	4.1
10	854p	Data General	949p	+49	-	-	-
32¼	28⅜	Dun & Bradstreet $1	30⅞	....	$1.74	-	3.3
34	30½	Eaton Corpn. 50c	33⅞xd	+¼	h$2.00	-	3.4
10	8⅞	Echlin Inc	9 xd	+⅛	70c	-	4.2
18	16⅞	FPL Group 1c	17 xd	.....	$2.20	-	7.4
32¼	27⅜	Ford Motor $1	27⅞	-⅛	$3.00	-	6.3
34⅛	30	GATX 62½c	34⅝	+⅛	$2.00	-	3.4
27¾	24¼	Gen. Elect. 63c	26½xd	-⅛	$1.64	-	3.6
567p	484p	♦General Host Corp $1	522p	-2	28c	-	3.1
22⅝	18¼	Gillette $1	21⅜	-⅛	96c	-	2.6
769p	616p	Gt Am First Svgs Bk $1	691p	+1	60c	-	5.1
19¼	16	Greyhound $1½	19¼	+⅛	$1.32	-	4.0
11½	847p	Hasbro Inc 50c	10½	....	16c	-	0.9
8½	6	Home Group $1	8¼xd	.....	20c	-	1.4
43¼	32⅞	Honeywell $1½	41	-1	$2.10	-	2.9
16⅝	15¼	Houston Inds ‡	16⅛	....	$2.96	-	10.6
74⅝	63	IBM Corpn $1¼	64	-⅛	$4.40	-	4.0
52p	45p	♦Image Storage/R Sys 1c y	45p	.....	-	-	-
22⅞	18⅜	Ingersoll-Rand $2	22¼xd	+⅛	$1.04	-	2.7
29⅝	22½	Lockheed Crpn. $1	27¼xd	-½	$1.60	-	3.4
18	15	Lone Star Inds $1	17¼xd	-⅛	$1.90	-	6.3
20	17½	Louisiana Land 15c	20xd	-⅛	$1.00	-	2.9
14¼	11½	Lowe's 50c	13⅛	-⅛	48c	-	2.1
21	15	Manuf. Hanover $1	20	-⅛	$3.28	-	9.1
17	13	Merrill Lynch $1	16⅝	...	$1.00	-	3.5
2253p	1954p	Molex Inc	1986p	-6	3.3c	-	-
23⅝	18¼	Morgan (JP) $2½	22¼xd	.....	$1.66	-	4.3
42½	36⅛	NYNEX $1	42½	..	$4.04	-	5.6
20⅞	18¼	PHH Corp ‡	19⅞xd	-⅛	$1.12	-	3.3
235p	220p	♦Pacific Agr ‡	254p	+5	-	-	-
21⅛	19	Pacificorp $3¼	21⅛	+⅛	$2.64	-	7.3
20⅞	16⅞	Pacific Telesis 10c	20½	...	$1.76	-	5.0
17⅝	15¼	Pall Corp. 25c	16⅞	+⅛	48c	-	1.7
50¼	39	Pennzoil 83 1/3c	49	-⅛	$3.00	-	3.5
20	17	Premark Intl	20	+⅛	60c	-	1.7
32¼	28⅜	Quaker Oats $5	31⅝xd	-⅛	$1.20	-	2.2
26¼	23½	Rep NY Corpn $5	26	-⅛	$1.20	-	2.7
13¼	11	Rockwell Intl. $1	12¼xd	-⅛	72c	-	3.3
26¼	21⅝	Southwestern Bell $1	26	+⅛	$2.48	-	5.6
22⅝	17	Sun Co. Inc. $1	22½	-⅛	$1.80	-	4.7
26	22	TRW Inc. 62½c	25	-⅛	$1.72	-	3.9
18⅞	14⅜	TW Services $5	18¼	...	10c	-	0.3
30¼	26⅜	Tenneco $5	29	-⅛	$3.04	-	6.0
31⅝	28	Texaco $6.25	31½xd	-⅛	♦$3.00	-	5.6
25	21⅝	Texas Instr. $1	22⅞xd	-⅛	72c	-	1.9
69¼	58⅝	Time Inc. $1	67⅞	+1	$1.00	-	0.9
17⅛	15	TRINOVA Corp	16¼xd	+⅛	64c	-	2.3
19⅝	16	USX $1	19½	+⅛	$1.40	-	4.2
164p	126p	♦Unitab	160p	-6	-	-	-
27	22¼	Utd. Technologies	27¼	-⅛	$1.60	-	3.4
158p	128p	♦Utilitech Inc	133p	-7	-	-	-
37¼	31½	US West‡	36⅝	-⅛	$3.76	-	-
27¼	22⅝	Waste Management $1	27¼xd	+⅛	48c	-	1.0
16⅞	13½	Whirlpool $1	15¼	.....	$1.10	-	4.1
19	16	Whitman Corp	19xd	+⅛	96c	-	3.0
31⅞	28¼	♦Woolworth $3½	29⅜	+⅛	$1.64	-	3.3

Continued on next page

Aitken Hume

30 City Road, EC1Y 2AY. 01-638 6070

Bank of Ireland High Interest Cheque Acc

36 Queen St, EC4R 1BN. 01-625 7000

Bank of Scotland

38 Threadneedle St, EC2P 2EH. 01 601 6746

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

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CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
157p	130p	♥ABM Gold Corp ‖	130p	.....	–	–	–
18¼p	4½p	♥Abbot Energy Corp	18¼p	.....	–	–	–
13¼	902p	♥Amer. Barrick Res.	12⅝	–¼	–	–	–
3¼p	2½p	♥Amer. Lightwave ‖	2½p	.....	–	–	–
19¾p	12¼p	♥Armeno	15¾p	–¼	–	–	–
109p	94p	♥Asiamerica ‖	108p	.....	–	–	–
33¼p	22¼p	♥Augmitto Expln.	23¼p	+1	–	–	–
14⅝	12⅞	Bk. Montreal ‖	14	.....	$2.12	–	7.3
762p	655p	Bk. Nova Scot. ‖	788p	.....	84c	–	5.7
18¼	17	BCE ‖	18½	–⅛	$2.44	–	6.4
768p	570p	♥Bow Valley‖	755p	–2	♦40c	–	2.5
14¼	12¼	♥Brascan‖	13½	.....	88c	–	3.1
228p	178p	♥Breakwater Res.	178p	–2	10c	–	2.7
13½	11¼	Can.Imp Bank‖	13¼	–¼	$1.16	–	4.2
12¼	997p	Can Pacific ‖	11½	–¼	76c	–	3.1
41½	38½	Do. 4pc Deb £100	41½	.....	4%	–	9.6
511p	374p	Central Capital "A" ‖	482p	–8	–	–	–
448p	340p	♥Corona Corp.	396p	–1	–	–	–
373p	228p	♥Cons TVX Min	334p	+2	–	–	–
48½p	19½p	♥Danbus Mem. Syst.‖	25¼p	+½	–	–	–
633p	524p	♥Derlan Inds ‖	606p	+3	11.75c	–	0.9
953p	751p	♥Echo Bay Mines	864p	+3	$0.07	–	0.4
572p	370p	♥ECO Corp ‖	433p	–4	–	–	–
16¼p	9½p	♥Energex Minerals‖	11½p	–¼	–	–	–
234p	203p	♥Galactic Resources	225p	+1	–	–	–
330p	243p	Gandalf Techs. Inc.	261p	.....	–	–	–
54½p	32p	♥Geodome Res.	32¼p	.....	–	–	–
183p	138p	Granges Expln‖	141p	+3	–	–	–
27½p	6p	♥Gt Pacific Res.	16¼p	–¾	–	–	–
779p	651p	♥Gulf Canada‖	724p	–2	52c	–	3.5
12½	10¼	♥Hawker Sid Can‖	12⅛	.....	$1.08	–	4.2
598p	348p	♥Henlys Group	588p	+29	–	–	–
13¼	11¼	♥Hudson's Bay ‖	12⅞	.....	60c	–	2.2
28¼	23	♥Imperial Oil‖	26½	.....	$1.80	–	3.3
18⅞	14¼	Inco‖	17	+⅛	s$0.80	–	2.7
670p	599p	♥Inland Nat. Gas $1	668p	–2	60c	–	4.3
176p	102p	♥Madeleine Mines	176p	+16	–	–	–
193p	163p	♥Muscocho Expln.	173p	–11	–	–	–
126p	85½p	♥Nevada Goldfields	119p	+5	–	–	–
12⅝	10⅞	♥Rio Algom	12¼	+⅛	$1.30	–	5.2
19⅞	17¼	Royal Bk. Can. ‖	19⅝	–¼	$2.20	–	5.4
41½	33⅝	Seagram‖	41¼	.....	US$1.40	–	2.0
112p	74½p	♥Sonora Gold Corp‖	89p	+2	–	–	–
85p	33p	♥Spiral Eng ‖	77p	–2	–	–	–
109p	73p	♥Tara Pure Tech Corp‖	79½p	–½	–	–	–
19½	16¼	Toronto-Dom Bk.‖	18½	–¼	$1.12	–	2.9
804p	686p	♥Trans Can Pipe	804p	+4	68c	–	4.1
183p	154p	Varity Corp‖	169p	.....	8	–	–

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	91	......
Craig & Rose £1.. γ	720	......
Finlay Pkg. 5p.... γ	91	......
Holt (Jos) 25p..... γ	1283	+10
Arnotts..................	460	......
Carrol (P.J.)....... γ	152	+2
Hall (R. & H.).......	156	+1
Helton Hldgs........ γ	79	+1
Irish Ropes............	170	......

IRISH

Cap. 8½% Ln. 1991...	£108¾	......
9pc Cap Ln. 1996..	£101	......
Fin. 13% 97/02...	£120½	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	48
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	98
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	30

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to improve

THE DOLLAR moved firmer in currency markets yesterday but was confined to a relatively narrow range. Most investors are wary of pushing the dollar much firmer before the release of key economic data later this week.

The US unit broke through DM1.88 in overnight trading and pushed aside resistance at DM1.8830 after the start of trading yesterday in New York. The firmer tone came despite suspicions that the US Federal Reserve had been asking for quotations in the market late on Monday in New York, although there was no evidence of any actual intervention either on Monday or yesterday.

The dollar is unlikely to test DM1.8950 - regarded as the point at which central banks are most likely to intervene - until after the release of US trade figures, industrial production and capacity utilisation, all due on Friday. But the US unit retains its firm undertone. Unless the US economy shows signs of slowing down, investors are, in the main, convinced that the US Fed may have to tighten monetary policy still further.

The dollar's attraction has also been enhanced by the poor sentiment surrounding other key currencies. The Japanese yen has been depressed by the share scandal involving Government ministers. A denial by Mr Noboru Takeshita, the Japanese Prime Minister, of any wrong doing on his part in the Recruit Cosmos share scandal failed to allay market fears that the Government will face continued pressure to resign.

The Swiss franc is weaker because interest differentials currently make the Swiss franc an unattractive investment, while the D-Mark has also suffered from the recent firmer tone in US interest rates. In the last six weeks, the interest rate differential between three-month Euro-dollars and Euro-Marks has widened from 3 per cent to nearly 4 per cent in the dollar's favour.

The dollar closed at DM1.8865, up from DM1.8795 and Y132.75 compared with Y132.60. Elsewhere, it finished at SFr1.6650 from SFr1.6560 and FFr6.3675 against FFr6.3450. On Bank of England figures, the dollar's exchange rate index rose from 68.4 to 68.6.

Sterling finished below its best level but slightly up from Monday. Its exchange rate index closed at 95.7, unchanged from the opening but up from 95.6 previously. The softer tone towards the close of trading reflected concern about a decision to hold a ballot for a dock strike, which could affect several but not necessarily all UK major ports.

Nevertheless, sterling remains underpinned by the tough anti-inflation stance being pursued by the UK Government. Speaking on Monday, Mr Nigel Lawson, the Chancellor, stressed that interest rates would be increased "without hesitation" should it be necessary to do so in order to control inflation.

The pound fell to $1.6900 from $1.6975 and DM3.1875 compared with DM3.1900. It was also lower against the yen at Y224.25 from Y225.00. Elsewhere, it finished at SFr2.8150 from SFr2.8100 and FFr10.7625 from FFr10.7700.

£ IN NEW YORK

Apr 11	Latest	Previous Close
£ Spot	1.6880-1.6890	1.6955-1.6965
1 month	0.37-0.36pm	0.37-0.35pm
3 months	1.18-1.16pm	1.21-1.19pm
12 months	3.59-3.49pm	3.57-3.47pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6025	+2.70	+0.93	±1.5344
Danish Krone	7.85212	8.09812	+3.13	+1.36	±1.5404
German D-Mark	2.05853	2.08920	+1.49	-0.28	±1.0981
French Franc	6.90403	7.03206	+1.85	+0.08	±1.3674
Dutch Guilder	2.31943	2.34988	+1.31	-0.46	±1.5012
Irish Punt	0.768411	0.780236	+1.54	-0.23	±1.6684
Italian Lira	1483.58	1526.24	+2.88	+1.11	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Apr 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6875 - 1.7010	1.6895 - 1.6905	0.39-0.36cpm	2.66	1.20-1.16pm	2.79
Canada	2.0090 - 2.0250	2.0100 - 2.0110	0.15-0.04cpm	0.57	0.48-0.32pm	0.80
Netherlands	3.59 - 3.61¼	3.59 - 3.60	2-1⅞cpm	6.47	5⅞-5½pm	6.26
Belgium	66.60 - 67.10	66.70 - 66.80	35-25cpm	5.39	90-80pm	5.09
Denmark	12.38¼ - 12.44½	12.38¾ - 12.39¾	4-3⅞orepm	3.81	13-11⅞pm	4.01
Ireland	1.1925 - 1.2005	1.1975 - 1.1985	0.51-0.45ppm	4.81	1.44-1.30pm	4.57
W. Germany	3.18¼ - 3.20	3.18½ - 3.19	2-1¾pfpm	7.06	5⅞-5¼pm	6.59
Portugal	261.65 - 264.00	262.50 - 263.50	10-15cdis	-0.57	15-105dis	0.91
Spain	197.50 - 198.75	197.50 - 197.80	20-10cpm	0.91	55-40pm	0.96
Italy	2332 - 2345¼	2334½ - 2335½	5-par lirepm	1.28	10-5pm	1.28
Norway	11.55¾ - 11.61½	11.55 - 11.56	1⅝-1¼orepm	1.43	5⅞-4¾pm	1.75
France	10.74½ - 10.80½	10.75¾ - 10.76¾	4½-3¼cpm	4.60	12¾-11¼pm	4.46
Sweden	10.83½ - 10.88¾	10.83¾ - 10.84¾	1⅝-1¼orepm	1.66	5-4½pm	1.75
Japan	223¾ - 225¾	223¾ - 224¾	1⅝-1½ypm	8.36	4¾-4⅝pm	8.36
Austria	22.38 - 22.51	22.44 - 22.47	13-11gropm	6.41	37-34pm	6.32
Switzerland	2.80¾ - 2.82½	2.81 - 2.82	1¾-1½cpm	6.93	4⅞-4½pm	6.66

Belgian rate is convertible francs. Financial franc 66.95-67.05. Six-month forward dollar 2.25-2.20cpm 12 months 3.60-3.50cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6875 - 1.7010	1.6895 - 1.6905	0.39-0.36cpm	2.66	1.20-1.16pm	2.79
Ireland†	1.4140 - 1.4190	1.4150 - 1.4160	0.28-0.33cdis	-2.58	0.83-0.93dis	-2.48
Canada	1.1880 - 1.1900	1.1890 - 1.1900	0.19-0.23cdis	-2.12	0.57-0.63dis	-2.02
Netherlands	2.1175 - 2.1275	2.1265 - 2.1275	0.68-0.66cpm	3.79	1.86-1.82pm	3.47
Belgium	39.35 - 39.55	39.45 - 39.55	8.50-7.00cpm	2.36	23.50-21.00pm	2.25
Denmark	7.30¼ - 7.33½	7.33 - 7.33½	0.80-0.45orepm	1.03	2.55-1.95pm	1.23
W. Germany	1.8790 - 1.8870	1.8860 - 1.8870	0.66-0.64pfpm	4.14	1.79-1.76pm	3.77
Portugal	155.20 - 155.50	155.30 - 155.40	45-65cdis	-4.13	120-170dis	-3.63
Spain	116.55 - 116.90	116.75 - 116.85	15-19cdis	-1.75	52-58dis	-1.88
Italy	1377¾ - 1382¼	1381¼ - 1382¼	1.30-1.80liredis	-1.35	5.20-5.70dis	-1.58
Norway	6.82 - 6.84	6.83½ - 6.84	0.55-0.80oredis	-1.19	1.60-1.90dis	-1.03
France	6.34¼ - 6.37	6.36½ - 6.37	0.97-0.92cpm	1.78	2.70-2.60pm	1.67
Sweden	6.39 - 6.41¾	6.41¼ - 6.41¾	0.43-0.63oredis	-0.99	1.55-1.85dis	-1.06
Japan	132.40 - 132.80	132.70 - 132.80	0.67-0.65ypm	5.98	1.87-1.85pm	5.61
Austria	13.23¼ - 13.25¼	13.24½ - 13.25	4.50-4.10gropm	3.90	12.40-11.20pm	3.56
Switzerland	1.6520 - 1.6655	1.6645 - 1.6655	0.60-0.57cpm	4.23	1.66-1.62pm	3.95

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.60-39.70.

EURO-CURRENCY INTEREST RATES

Apr.11	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¾-10½	11½-11¼	12¾-12⅝	13⅛-13⅛	13⅝-13¼	13⅛-13⅛
US Dollar	9⅞-9⅞	9¾-9¾	10-9¾	10¼-10⅛	10½-10⅜	10⅞-10⅞
Can. Dollar	12¼-12	12¼-12	12¼-11⅞	12⅜-12¼	12½-12¼	12⅝-12⅜
D. Guilder	6½-6⅜	6½-6⅜	6½-6⅜	6⅞-6⅞	6¾-6⅝	6⅞-6⅞
Sw. Franc	5⅞-5¾	6-5¾	6-5⅞	6¼-6⅛	6⅜-6¼	6⅞-6⅛
Deutschmark	6-5⅞	6-5⅞	6⅛-6	6⅞-6⅞	6⅞-6⅞	6⅞-6¾
Fr. Franc	8-7⅞	8¼-8	8⅜-8¼	8⅞-8⅞	8¾-8⅝	9-8⅞
Italian Lire	11-9	11½-10½	11¾-11¼	12¼-11⅞	12¼-12	12¼-12⅛
B. Fr. (Fin)	7⅞-7⅞	7⅞-7⅞	8-7⅞	8¼-8⅛	8⅜-8⅜	8⅝-8¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: [illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short pound slides lower

SHORT STERLING futures failed to inspire much confidence yesterday, with the opening level of 86.78 for June delivery almost setting the day's high. The contract touched 86.79, but then trod a downward path to close at 86.69, compared with 86.73 on Monday. The weaker tone reflects the belief that base rates will go up again, with the market now looking for 14 per cent in the foreseeable future.

Support at Monday's low of 86.60, and then at the contract's historical low of 86.57 could well be tested, according to dealers, if tomorrow's news on UK February UK average earnings and Friday's data on March retail prices proves disappointing.

Gerrard & National Intercommodities suggests that June delivery is likely to slide towards 86.35 before stabilising. However, as an insurance against indifferent figures on wages and prices GNI suggests placing pre-emptive buy orders in the market at around 86.20. This points towards a three-month cash Libor rate of 13.8 per cent at delivery in June.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 65,078

A = Ask B = Bid C = Call P = Put

MONEY MARKETS

Easier tone reversed

INTEREST RATES rose in late London trading yesterday, to finish little changed on the day, as sterling lost its early firmness. Comments by Mr Nigel Lawson, the Chancellor, about a possible further rise in rates gave reassurance to the financial markets, but nervousness increased towards the close on news that dockers are to vote on a strike, which could close several UK ports.

UK clearing bank base lending rate 13 per cent from November 25

Three-month sterling interbank touched 13¼-13⅛ per cent, but finished unchanged 13⅛-13⅛ per cent.

The Bank of England forecast a London money market credit surplus of £650m, and absorbed this by selling a total of £650m bills to the market.

Before lunch the authorities sold £530m Treasury bills, due on April 17, at rates of 11¼-11⅛ per cent. In the afternoon the Bank of England sold another £120m bills, due April 17, at 10⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £43m. This factor was outweighed by Exchequer transactions adding £110m to liquidity; a fall in the note circulation of £90m; and bank balances above target of £475m.

In New York the Federal Reserve added temporary reserves of $1.5bn to the banking system, via customer repurchase agreements, when Federal funds were trading at 9⅞ per cent.

In Frankfurt call money was steady at 5.85 per cent after the West German Bundesbank offered a 28-day securities repurchase agreement tender, at no minimum bid rate. An earlier facility of DM15.5bn expires today and with funds in generally good supply the Bundesbank is not expected to fully replace the liquidity lost through this drain on the market.

In Zurich the annual yield on an issue of Swiss Federal Government three-month money market certificates rose to 6.05 per cent, from the rate of 5.885 per cent on the previous issue in early March. The Swiss franc has tended to weaken recently, in response to the relatively low level of Swiss interest rates, and maintained a soft tone yesterday, as the D-Mark rose to 0.8825 francs from 0.8810 francs.

In Brussels the Belgian National Bank cut the rate on four-month paper, issued by the Securities Regulation Fund, by 0.05 per cent to 8.20 per cent at the weekly tender. The rate on six-month Treasury certificates was reduced by 0.20 per cent to 8.20 per cent.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm. Bk. N. East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit. Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.75		
Citibank NA	13	Mount Banking Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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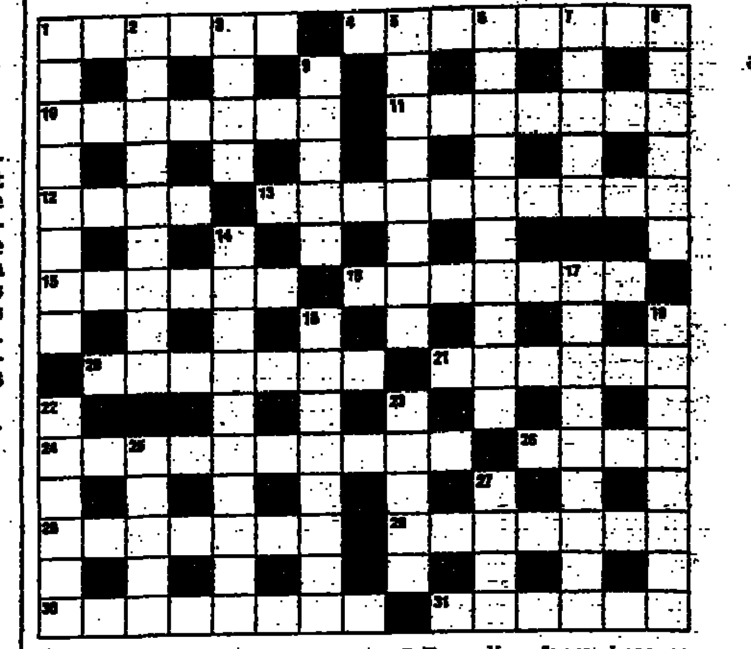
CROSSWORD

No.6,907 Set by VIXEN



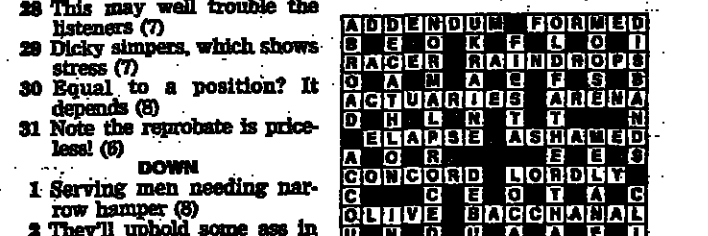
ACROSS

1 A sound 17 down (6)
4 Still contrived (8)
10 Have misgivings about light-weight (7)
11 Time for dealing with any irregularities (7)
12 Getting a painter in would be well (4)
13 Using no scent – it's logical (10)
15 Like writing on church riffs (5)
16 Officer commanding nautical men, and his bad language (7)
20 Affected, that's taken for granted (7)
21 Fat little Greek wanting comfort (6)
24 They get people down in the main (10)
26 Give up from choice, deliberate choice (4)
28 This may well trouble the listeners (7)
29 Dicky simpers, which shows stress (7)
30 Equal to a position? It depends (8)
31 Note the reprobate is priceless! (6)

DOWN

1 Serving men needing narrow hamper (8)
2 They'll uphold some ass in error (9)
3 Right – one should take exercise when mature (4)
5 Regarding fancy hose as suitable wear for 12 across (8)
6 A joke appeals to a worker on the railway (10)
7 Shoot and get the bird (5)
8 Top Venetian's responsibility to see an animal fed (6)
9 Store of French drug (5)
14 Transport for those requiring personal attention (10)
17 New Testament account (5)
18 Dwelling where payment must be made to hold a party (8)
19 Clears rents, not for the first time (8)
22 Strips a set-up – quite unconscious of it (6)
23 Start being involved (5)
25 Afforded less cover, stop about-turn (5)
27 Fight for support (4)

Solution to Puzzle No.6,906



JOTTER PAD

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA — BELGIUM/LUXEMBOURG — DENMARK — FINLAND — FRANCE — FRANCE (continued) — GERMANY — GERMANY (continued) — ITALY — ITALY (continued) — NETHERLANDS — NORWAY — SPAIN — SWEDEN — SWITZERLAND — SOUTH AFRICA — AUSTRALIA (continued) — JAPAN — HONG KONG — AUSTRALIA — SINGAPORE

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
4pm prices April 11

Quotations in cents unless marked $

20686 CenCap A	$9⅞	9⅛	9⅞ + ⅛		
5900 CentFd A	$5⅝	5⅝	5⅝ − ⅛		
10844 C Guar Trc	$23⅛	22½	23 + ½		
18030 Charan	110	95	100 − 15		
149850 Chieftan	$16⅝	16⅜	16¼		
2200 CHUM B f	$19¼	19¼	19¼		
84193 Cineplex	$16⅝	16¼	15⅞ − ⅛		
4900 Co Steel f	$17¼	17¼	17⅛		
155021 Cominco	$26⅞	26¼	26½ + ⅛		
6906 Computlog	$5⅛	5	5 − ⅛		
138800 Connaught	$28⅛	27½	28 − ½		
170 C HCI A f	$10¼	10⅛	10⅛		
27057 Con TVX	$6¼	6⅛	6⅛ − ⅛		
881 Interhome	$45⅝	45½	45½		
40800 Intl Thom	$16	15⅞	16 + ⅛		
18701 Inv Grp	$17⅛	16⅞	17 + ⅛		
678 Ipsco	$19¼	19	19¼ + ½		
15158 Ivaco A f	$11⅛	11	11 − ⅛		
12200 Ivaco B	$12	12	12 − ⅛		
23008 Jannock	$18⅞	18⅞	18⅞		
400 Kelly DA	$76	75¾	76		
11800 Kerr Add	$19½	19½	19½		
140142 Labatt	$22⅞	22¼	22¼ + ⅛		
34090 Lac Minls	$12⅛	12⅛	12⅛		
1488 Lafarge p	$19	19	19		
14121 Renisance	$15	14⅞	15 + ⅛		
22111 Repap f	$11⅞	11⅞	11⅞ − ⅛		
12825 Rio Algom	$24⅞	24⅝	24⅝ + ⅛		
7133 Rogers B f	$97⅞	97¼	97¼ − ¼		
150 Roman	$11⅞	11⅞	11⅞ + ⅛		
500 Rothman	$62	62	62		
73063 Royal Bnk	$40	39½	39⅞ + ⅛		
8190 RyTrco A	$16⅞	16¼	16⅞ + ⅛		
1580 SHL Syst	$9⅞	9⅞	9⅞		
3500 SNC A f	$6	5⅞	5⅞ + ⅛		
7160 St. CemA f	$16⅞	16⅝	16⅞ + ⅛		
28085 Sask oil	$10	9⅞	9⅞ − ⅛		

f-No voting rights or restricted voting rights.

MONTREAL
4pm prices April 11

44485 BombrdrB	$11⅞	11⅛	11⅞	
1000 CB Pak	$19¼	19¼	19¼ − ½	
8800 Cascades	$08⅛	08¼	08¼	
3797 DomTxtA	$14⅛	13⅞	14	
10720 Memotec	$10½	10¼	10½ + ⅛	
475 MntTrst	$23¼	23¼	23¼	
49933 NatBk Cda	$12⅝	12⅜	12½ + ⅛	
18015 Noverco	$11⅝	11½	11½	
8022 Power Corp	$15	14⅞	15	
52739 Provigo	$09¼	09	09⅛	
1900 SteinbrgA	$38¼	38⅛	38¼ + ⅛	
9150 Videotron	$16	15⅞	16 + ⅛	

Total Sales 4,796,098 shares.

INDICES

NEW YORK DOW JONES

	Apr 11	Apr 10	Apr 7	Apr 6	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2311.58	2308.87	2304.80	2291.97	2347.14 (7/2)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.86	87.96	87.72	87.92	89.62 (8/2)	87.35 (23/3)	—	—
Transport	1073.58	1067.43	1070.67	1066.30	1087.97 (7/2)	959.95 (3/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.46	185.83	186.70	185.46	191.15 (24/1)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2321.48 (2316.35) Low 2295.27 (2293.62)

STANDARD AND POOR'S	Apr 11	Apr 10	Apr 7	Apr 6	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	298.49	297.11	297.15	295.29	299.63 (7/2)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	344.24	342.48	342.30	339.89	346.41 (7/2)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	28.05	28.03	28.11	27.97	28.11 (7/4)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	167.58	166.89	166.93	166.02	168.10 (16/3)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	333.14	331.40	330.59	330.08	333.14 (11/4)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	413.54	411.14	410.71	408.20	413.54 (11/4)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Apr 7	Mar 31	Mar 17	year ago (approx.)
Dow Industrial Div. Yield	3.62	3.63	3.70	3.35
	Apr 6	Mar 15	Mar 8	year ago (approx.)
S & P Industrial div. yield	3.16	3.13	3.16	2.94
S & P Indl. P/E ratio	13.09	13.17	13.04	15.35

TRADING ACTIVITY † Volume Millions

	Apr 11	Apr 10	Apr 7
New York	146.830	123.990	156.950
Amex	11.735	12.341	9.625
OTC	(u)	109.842	133.578

NEW YORK	Apr 11	Apr 10	Apr 7
Issues Traded	1935	1,952	1,930
Rises	873	716	874
Falls	503	687	543
Unchanged	559	549	513
New Highs	88	83	90
New Lows	26	25	26

CANADA

TORONTO	Apr 11	Apr 10	Apr 7	Apr 6	1989 High	1989 Low
Metals & Minerals	3337.5	3292.3	3265.2	3248.0	3564.9 (6/2)	3207.5 (3/1)
Composite	3571.7	3562.9	3559.0	3551.8	3696.1 (8/2)	3380.5 (6/1)
MONTREAL Portfolio	1790.79	1778.79	1777.85	1773.74	1850.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Exxon	3,371,200	41⅛	− ⅛	Ramada Inns	1,597,400	11⅛	—
Prime Computer	2,837,000	19⅞	+ 1⅞	Sears Roebuck	1,470,300	45⅛	+ ⅝
SmithKline Beckman	2,052,600	64⅞	− ⅛	Crown Cork	1,198,200	52⅛	+ 3½
Campbell Soup	1,874,000	40	+ 1⅛	IBM	1,186,900	111⅛	+ 1⅛
P Svc Col	1,667,800	20⅞	+ ⅛	Greyhound	1,157,800	33⅛	+ 1⅛

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr. 11	Apr. 10	Apr. 7	Apr. 6	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1414.7	1413.3	1412.9	1424.5	1551.7 (31/1)	1412.9 (7/4)
All Mining (1/1/80)	663.0	657.0	652.6	654.9	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	303.65	301.83	296.77	291.92	303.65 (11/4)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	5827.19	5811.71	5803.14	5801.98	5834.01 (10/2)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	293.44	296.21	297.45	297.45 (6/4)	275.49 (27/2)
FINLAND						
Unitas General (1975)	808.9	815.1	812.3	807.4	815.1 (10/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	456.6	455.1	453.3	454.3	457.3 (6/2)	417.9 (4/1)
Ind. Tendance (30/12/88)	107.5	106.6	106.5	106.5	108.1 (3/2)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	575.39	571.02	564.38	566.30	575.39 (11/4)	535.78 (27/2)
Commerzbank (1/12/53)	1712.8	1699.2	1678.5	1683.7	1712.8 (11/4)	1595.7 (27/2)
DAX (30/12/87)	1369.35	1359.22	1348.02	1345.50	1371.10 (5/1)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	3026.0	3021.43	3024.09	3015.51	3209.96 (9/2)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	603.56	604.14	603.79	605.75	615.09 (17/1)	577.49 (28/3)
JAPAN						
Nikkei (16/5/49)	33249.58	32999.02	33185.05	32995.7	33360.79 (5/4)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2470.23	2458.80	2474.35	2469.78	2494.74 (5/4)	2366.91 (4/1)
NETHERLANDS						
CBS Tst Rtn Gen (End 1983)	232.6	232.2	231.1	231.0	232.6 (11/4)	208.3 (3/1)
CBS All Shr (End 1983)	186.0	185.7	184.9	184.7	186.0 (11/4)	166.7 (3/1)
NORWAY						
Oslo SE (2/1/83)	611.96	603.32	603.11	605.05	615.51 (3/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1201.43	1191.97	1186.66	1192.43	1201.43 (11/4)	1038.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1518.0	1527.0	1556.0	(c)	1639.0 (23/3)	1291.0 (5/1)
JSE Industrial (28/9/78)	2445.0	2460.0	2480.0	(c)	2493.0 (5/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	296.25	297.29	294.13	292.95	297.29 (10/4)	268.61 (3/1)
SWEDEN						
Jacobson & P. (31/12/56)	3815.8	3846.7	3905.9	3912.2	3912.2 (6/4)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	673.0	670.0	665.2	665.2	673.0 (11/4)	613.1 (3/1)
WORLD						
M.S. Capital Int. (1/1/70)	(u)	503.5	506.3	505.8	519.0 (17/2)	491.2 (28/3)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia, All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 11 April 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

4pm prices April 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26	21¼	AAR	.44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 53

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅝	4½	Wyse				4999	7⅛	6⅞	6⅞	− ⅛
		− X−Y−Z −								
68¾	60¼	Xerox	3	4.8	16	4497	62½	60½	62	+1
44¼	29¼	XTRA	.72	2.0	13	18	36⅜	36½	36½	+ ⅜
33	25	XTRA pf1.94		6.9		8	28¼	28	28	− ½
3⅞	2	Zapata				221	2¼	2⅛	2¼	+ ⅛
27⅞	18⅝	Zayre	.40	1.6	169	4115	25⅝	25	25⅛	− ⅛
15½	10⅞	Zemex	.40	3.7	22	2	10⅞	d10¾	10⅞	− ⅛
30	16½	ZenithE			91	1673	18⅛	17⅞	18⅛	+ ¼
10¼	8⅞	ZenInc	.69e	7.3		114	9⅝	9½	9½	− ⅛
2¼	1	vjZenLb				398	2	1⅞	1⅞	+ ⅛
21⅝	15	ZeroNt	.80b	4.2	9	365	19⅛	18⅞	19	
19⅞	13	Zero	.44	2.4	15	16	18½	18¼	18¼	− ⅛
29⅞	19	Zurnin	.68	2.4	16	359	28¼	28¼	28¼	− ½
11¼	9⅞	Zweig	1.07e	9.8		373	10⅞	10⅝	10⅞	+ ⅛
10⅛	8¾	ZweigT	n.24e	2.7		1646	9	8¾	8⅞	+ ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices April 11

OVER-THE-COUNTER

Nasdaq national market, 3pm prices April 11

AMERICA

Rally by bonds helps Dow rise in subdued trade

Wall Street

A MODEST rally in the bond market encouraged some buying of equities yesterday, but trading was again subdued as financial markets sat it out until Friday's producer prices release, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 9.71 higher at 2,311.58 on moderate volume of 146m shares. Advancing issues outpaced declining stocks by 873 to 503.

Traders attributed the small rally in the bond market to the steadiness of the dollar, even after the US Federal Reserve had stepped into the market on Monday to sell the US currency, when it was trading at DM1.8830. Yesterday afternoon the dollar was quoted at about DM1.8852.

It is difficult to see any trigger for heavier activity in the stock market in the foreseeable future, as everyone, including the financial markets and the US Federal Reserve, waits for more conclusive evidence on the economy to emerge.

At the current stage in the business cycle, there are signs that the economy is slowing and that inflation has entrenched. Key questions remain, however, and they will determine what happens to interest rates.

Most people feel that there will be a recession at some point, but do not know when or how serious it will be. Interest rates will no doubt come down, but again nobody knows when or whether they will rise first.

These questions are unlikely to be answered in weeks or even months. The markets will continue to fluctuate on each piece of evidence as it emerges, and then change direction when differing evidence comes out. Another influence on the market will be any signs of consistent disappointment in corporate profits.

With little clarity in economic fundamentals and no marked change in corporate profitability, a mixture of bid speculation, takeovers and restructuring is likely to provide most interest.

There were a number of takeover situations in focus yesterday. Citizens & Southern dropped $1 to $33¾ after asking NCNB, the North Carolina-based commercial bank, to withdraw its offer to acquire the bank through a stock swap valued at $2.4bn. NCNB said it would not withdraw its bid. Shares in the North Carolina bank rose $⅞ to $34⅛.

H.H. Robertson added $⅛ to $10¼ after Mr Douglas Kass, a New York investor, said that he had accumulated a 5.2 per cent stake in the company and was holding talks with certain shareholders about increasing his stake to at least 40 per cent.

Tidewater also gained $⅛ to $10⅛ after the company said it was looking for alternatives to an $11-a-share takeover bid from a group headed by investor Mr Irwin Jacobs.

Prime Computer jumped $1⅞ to $19⅞ after saying that it was courting takeover offers above the $20-a-share offered earlier by MAI Basic.

Entertainment and media issues generally remained in demand, on takeover speculation in this sector. Time added $⅞ to $115⅞ and CBS was up $1⅛ at $183⅛.

International Technology fell $⅞ to $5⅞, after the company agreed to sell treatment and disposal operations at two Californian sites to GSX Chemical Services for $85m.

Canada

MINING and transportation shares led Toronto higher. Energy issues also advanced, as the crude oil price rose.

The composite index gained 18.8 to 3,571.7 as advances outnumbered declines by 336 to 291 on light turnover of 19.7m shares.

SOUTH AFRICA

GOLD shares slipped in Johannesburg, as a firmer financial rand cancelled out the effects of a higher bullion price.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at March 31, 1989 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter.
The percentage change for each Dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	Market capitalisation as at March 31, 1989 (US$m)	% of World Index	Market capitalisation as at December 30, 1988 (US$m)	% of World Index	% change in $ index since December 30, 1988
Australia (89)	86835.8	1.30	93504.7	1.42	−6.63
Austria (18)	5642.4	0.08	4990.8	0.08	+15.66
Belgium (63)	39666.0	0.60	41542.3	0.63	−4.18
Canada (124)	138610.8	2.07	130904.7	1.99	+7.01
Denmark (39)	16553.6	0.25	16548.2	0.25	−0.66
Finland (26)	5462.9	0.08	4557.5	0.07	+14.39
France (130)	154448.6	2.31	150603.6	2.29	+3.05
West Germany (102)	188694.9	2.83	200443.7	3.05	−5.91
Hong Kong (44)	54609.1	0.82	48719.3	0.74	+13.47
Ireland (17)	7324.2	0.11	7387.7	0.11	+6.44
Italy (98)	92590.2	1.39	96192.7	1.47	−4.39
Japan (456)	2945201.2	44.07	2984623.4	45.16	−1.37
Malaysia (36)	4824.1	0.07	4260.1	0.06	+13.24
Mexico (13)	3301.5	0.05	3217.8	0.05	+2.60
Netherland (39)	81242.6	1.22	75676.5	1.16	+3.46
New Zealand (24)	9188.8	0.14	9128.6	0.14	+1.46
Norway (26)	4810.0	0.07	3567.7	0.05	+26.13
Singapore (26)	11514.1	0.17	9700.3	0.15	+16.38
South Africa (60)	39679.1	0.59	33228.8	0.51	+19.07
Spain (42)	57985.5	0.87	58883.5	0.90	−1.56
Sweden (35)	22056.2	0.33	20192.7	0.31	+8.21
Switzerland (57)	62728.3	0.94	66068.7	1.01	−5.12
United Kingdom (314)	612328.8	9.16	564549.2	8.60	+8.00
USA (565)	2037870.4	30.49	1956196.0	29.80	+5.06
Europe (1006)	1352009.2	20.23	1311394.7	19.98	+2.37
Nordic (126)	48882.7	0.73	44866.1	0.68	+7.58
Pacific Basin (579)	3111873.1	46.56	3129936.4	47.68	−1.21
Euro – Pacific (1681)	4463982.3	66.79	4441331.1	67.65	−0.14
North America (689)	2176481.2	32.57	2087100.7	31.79	+8.13
Europe Ex. UK (692)	739685.6	11.07	746845.5	11.38	−1.93
Pacific Ex. Japan (219)	166771.9	2.50	165313.0	2.52	+1.61
World Ex. US (1878)	4645573.6	69.51	4608682.5	70.20	+0.19
World Ex. UK (2129)	6071120.4	90.84	6000329.3	91.40	+1.34
World Ex. So. Af. (2383)	6643764.9	99.41	6531649.7	99.49	+1.84
World Ex. Japan (1987)	3738242.8	55.93	3600255.1	54.84	+4.65
The World Index (2443)	6683444.0	100.00	6564878.5	100.00	+1.92

Nordic region continues to outshine rest of world

Alison Maitland on the last quarter's performances

STUNNING gains by the markets of Scandinavia in the first three months of this year put the region in top place in the world performance league for the second quarter running.

Norway improved its lead in the race with a remarkable 32.1 per cent rise in local currency terms, almost twice its gain of 16.6 per cent in the final quarter of last year and considerably higher even than its 22.9 per cent advance in the same quarter a year ago.

Behind it came Finland, with 16.9 per cent, and Sweden, with 14.7 per cent, while Denmark was the only dull performer with a 6.7 per cent rise.

Together, these gains translated into a 13.5 per cent advance for the Nordic zone, putting it well ahead of the other regions in the FT-Actuaries World Indices.

Overall, the world's stock markets showed a slight improvement over the previous quarter, with a local currency rise of 6.1 per cent in the World Index compared with 5.8 per cent at the end of last year. But this performance was only mediocre when compared with the 12.9 per cent ascent in the first quarter of 1988, when markets were beginning to recover from the crash of October 1987.

The biggest difference between now and then lies in the behaviour of the world's largest market by capitalisation – Japan. While the other leaders, the US and the UK, made greater strides this past quarter than a year ago, with gains of 6.1 per cent (5 per cent) and 15.7 per cent (2.3 per cent) respectively, the Japanese market advanced only 4.5 per cent compared with its 25.1 per cent leap in early 1988.

The political scandal over the Recruit affair contributed to dampening performance, but nervousness about the level of global interest rates and the vertiginous state of Japanese share prices themselves also played a significant part.

Apart from the Nordic bourses, the winners in the first quarter were South Africa, with a 29 per cent rise, and Austria, with a gain of 23.3 per cent. South Africa's strength was in marked contrast to its fall of 8.2 per cent in the first quarter of 1988, when it was one of only two markets to end in negative territory. The other market was Austria, whose luck has not turned: it lost 2.7 per cent in the first three months of this year, the only market to end down on the start of 1989.

The dollar's recovery in the first quarter gave investors in that currency a rather hard time. The World Index excluding the US edged up 0.2 per cent in dollar terms compared with 6.1 per cent in local currency terms. Eight of the 24 markets fell, while the UK's advance was cut to 8 per cent.

The dollar exchange rate index has climbed from 65.3 at the end of December to 68.6 yesterday, in contrast with the sterling index, which has fallen from 97.4 to 95.8. Sterling investors consequently benefited from currency translations in the first quarter, as the World Index excluding the UK rose 8.6 per cent in sterling terms against only 5.2 per cent in local currency terms.

As the table shows, market capitalisations have shifted since the start of the year, with Japan losing ground while the US, Canada and the UK have increased their weightings.

EUROPE

Volume soars in West Germany as foreigners return

MOST bourses had a good day amid signs that sluggishness on Wall Street and problems in London are encouraging growing interest in the continent, *writes Our Markets Staff.*

FRANKFURT enjoyed another buoyant session with volume surging to a heavy DM5.36bn as foreign enthusiastically joined domestic investors in picking up blue chips and focusing on lagging sectors.

After breaching its old high for the year on Monday, the FAZ index climbed on to 575.39, a rise of 4.37. The DAX index hit a peak of 1,375.12 during the session – just off its 1989 high – then fell back on profit-taking to close 10.13 better at 1,369.35.

With concern over interest rates and currencies in the background, investors are making the most of better than expected corporate results. The market's dullness over the past weeks also means some large institutions are significantly underweight in German stocks. Funds moved out of West Germany into the UK in the first quarter and some are now making the journey back.

With steel and machinery stocks consolidating, interest has shifted to sectors such as consumer issues. Retailer Asko rose DM21 to DM803 on strong buying orders, some from the UK, and Karstadt added DM19 to DM473. Personal care company Wella saw its shares jump DM35, or 5.8 per cent, to DM635.

Aluminium stock Viag was popular on its relative cheapness and optimism about prospects for the year. Utility RWE saw profit-taking, losing DM6.50 to DM266.

PARIS enjoyed a more active session and stocks closed higher. The OMF 50 index added 2.53 to 472.03, while the CAC General, based on opening prices, was up 1.5 at 456.6, just below its 1989 high of 457.3. Volume was estimated by one house at FFr1.6bn.

Retailing chain Carrefour featured with a 6 per cent jump in early trading before ending FFr110 higher at FFr3,850. A higher earnings forecast from a French research institute and a large buy order triggered the early rise but there was also talk the company might be buying its own shares to make it less vulnerable to takeover.

Packaging group Carnaud saw big turnover, rising FFr12 to FFr654 as the High Court in London considered a petition from MB Group to approve the merger of its packaging interests with Carnaud.

AMSTERDAM was mixed in moderately active trading, recovering from London-led lows. The CBS tendency added 0.7 to another high of 176.7.

Publishers were strong, with Wolters Kluwer gaining Fl 5 to an all-time high of Fl 164.50. Elsevier, due to publish its annual report shortly, added 20 cents to Fl 66.30. VNU eased Fl 1 to Fl 91.50 in profit-taking after Monday's good performance amid fears that more acquisitions and a rights issue may be in the pipeline.

Machinery and industrial services group VMF Stork was heavily traded after an analysts' meeting predicted good investment growth. It added Fl 1.50 to Fl 34.40.

After announcing a first-quarter profits rise of 8 per cent, office equipment company Oce van der Grinten lost Fl 4 to Fl 325: the results were in line with expectations and the stock went ex-dividend.

MADRID fell slightly on profit-taking in high volume, the general index slipping 1.04 to 296.25 on turnover estimated at Pta 15bn.

Construction, insurance and food were the busiest sectors. Urbis was again well traded, easing 6 percentage points to 643 per cent of nominal market value, in line with the bourse's general movement.

The Kuwait Investment Office's Spanish investment arm, Torras Hostench, climbed 65 points to 1,885 per cent of par.

ZURICH had a moderately strong trading day, ending firmer but off earlier highs. The Crédit Suisse index added 1.20 to 575.2.

Nestlé was a focus of attention as it set the suggested issue price for its one-for-20 rights issue at SFr4,500 per bearer and registered share. It rose SFr120 to a year's high of SFr7,660.

OSLO rose as higher North Sea oil prices pulled investors back. The all-share index gained 7.29 to 452.56 in active trading worth NKr464m.

Metal group Elkem, forecasting higher first quarter profits, added NKr15 to NKr290.

BRUSSELS was led higher by chemical stock Solvay, which gained BFr175 to BFr13,175 in very active turnover before its results, due on Monday. The cash index rose 15.48 to 5,827.19.

MILAN again showed little movement, with the Comit index easing 0.58 to 603.56. Insurer Generali closed down L90 at L42,100 after saying on Monday that 1988 parent company profits could rise 20 per cent and ruling out a bonus share issue.

ASIA PACIFIC

Nikkei surges before Takeshita statement

Tokyo

INVESTORS threw caution to the winds and went on a buying spree that sent share prices surging, as the Japanese Prime Minister went before the Diet (Parliament) to explain his part in the Recruit scandal, *writes Michiyo Nakamoto in Tokyo.*

Monday's decline had followed concern about the spreading political effects of the Recruit financing scandal, as Mr Noboru Takeshita was expected to make a statement before the Diet concerning the contributions he had received from Recruit. Yesterday, however, share prices began to gain without waiting for the outcome of the Prime Minister's appearance.

After opening weakly, the Nikkei average made a quick rebound to breach the 33,000 level again by the morning close. After peaking at a high of 33,307.25 and dipping to a low of 32,939.59, the Nikkei average closed up 250.56 at 33,249.58.

Advances led declines by 526 to 335 in broad-based buying, with 187 issues unchanged. Turnover improved to 1.12bn shares from Monday's 732m. The Topix index of all listed shares rose 11.43 to 2,470.23 and, in London, the ISE/Nikkei 50 index gained 3.06 to 1,977.06.

"Buying enthusiasm is so strong that share prices began rising as soon as the bad news was about to come out," said Mr Mitsuru Maekawa of Jardine Fleming. Others pointed out that yesterday's rise occurred on little selling.

Investors were swayed by the fact that scandals in Japan tend to offer an opportunity to buy at lower prices. Interest focused on a variety of themes involving sectors such as chemicals, electricals, shipping and shipbuilding.

Kawasaki Heavy Industries, which topped the volumes list with 58.4m shares, gained Y40 to Y1,120. The company featured as an issue with quick price movements and was selected in a general move to buy companies that are not leaders in their industry.

Mitsui Toatsu followed with 43.1m shares and added Y20 to Y1,280. It has been popular as a lagging issue with higher earnings prospects based on increased sales of its chemical products. It has also stirred interest with news that an affiliate has started to develop a new material which does not discharge nitric acid.

Sumitomo Heavy Industries was third most actively traded with 41.8m shares and advanced Y80 to Y1,370. The company has been selected for its licence to produce heavy water used in cold nuclear fusion.

Nippon Yusen, the shipping company, increased Y65 to Y1,050 in heavy trading on the strength of its plans to start operating a cruiser, which put it among issues in the favoured leisure theme. In addition, the company's profits are expected to rise.

In Osaka, the OSE average gained 131.76 to 31,896.50 as turnover increased to 95m shares from 51m.

Roundup

AMONG the Asia Pacific markets, Singapore stood out with record turnover.

SINGAPORE climbed to a post-crash high in active trading, encouraged by the buoyant Tokyo market. The Straits Times industrial index rose 9.46 to 1,201.43.

Turnover reached a record 124m shares. Local investors showed interest in low-priced shares, although a few blue chips recorded sharp gains. Property and shipyard stocks were in demand.

AUSTRALIA firmed as investors sought bargain-priced resource stocks. The All Ordinaries index edged up 1.4 to 1,414.7. Turnover was low at 88m shares worth A$240m.

In industrials, ANI fell 17 cents to A$1.19 on concern over the security of its A$194m exposure to GPI Leisure, which asked to be suspended. A total of 3.1m ANI shares were traded, including a special sale of 1m at A$1.20.

HONG KONG retrieved early losses in trading subdued by expectations that Hopewell will announce a rights issue with its interim results today.

The Hang Seng index rose 4.57 to 3,036.00 while turnover fell to HK$727m from HK$753m. Hopewell rose 2.5 cents to HK$3.275.

TAIWAN rose in record trading volume worth NT$94bn. The weighted index climbed 56.08 to a year's high of 7,836.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 11 1989					MONDAY APRIL 10 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	128.80	+0.2	112.99	105.88	5.25	128.51	112.24	105.90	157.12	128.28	119.60
Austria (18)	119.05	+0.2	104.44	116.46	2.16	118.84	103.79	115.99	119.05	92.84	91.70
Belgium (63)	132.31	−0.1	116.07	129.37	4.12	132.42	115.66	129.16	136.68	128.52	126.65
Canada (127)	134.54	+0.5	118.03	115.88	3.30	133.83	116.89	115.32	137.27	124.67	125.49
Denmark (38)	173.40	+0.3	152.12	172.93	1.89	172.89	151.00	171.89	180.38	165.35	121.93
Finland (26)	154.52	−1.2	135.56	136.78	1.46	156.37	136.57	138.49	156.37	125.81	126.78
France (130)	118.32	+0.2	103.80	118.18	2.97	118.11	103.16	117.56	119.98	112.57	85.08
West Germany (100)	86.19	+0.6	75.61	84.53	2.27	85.71	74.86	83.75	90.40	81.77	79.39
Hong Kong (49)	127.60	+0.1	111.94	127.49	4.13	127.53	111.38	127.48	133.77	111.80	104.41
Ireland (17)	144.32	+0.0	126.61	143.66	3.55	144.30	126.03	143.29	147.10	125.00	123.20
Italy (98)	80.73	−0.5	70.82	83.32	2.52	81.13	70.86	83.46	86.88	78.16	79.22
Japan (455)	188.80	+0.4	165.63	158.43	0.48	188.12	164.30	157.67	200.11	180.30	172.34
Malaysia (36)	167.61	+1.8	147.04	177.20	2.70	164.58	143.75	174.22	167.61	143.35	125.43
Mexico (13)	169.38	+0.4	148.59	446.12	1.15	168.72	147.36	443.64	169.38	153.32	136.20
Netherland (42)	118.25	−0.2	103.74	114.80	4.46	118.43	103.44	114.59	118.52	110.63	110.21
New Zealand (24)	67.55	+0.6	59.26	58.88	6.69	67.15	58.64	58.66	76.02	67.15	76.53
Norway (26)	177.37	+0.4	155.60	164.61	1.52	176.64	154.28	163.58	178.53	139.92	128.06
Singapore (26)	144.05	+0.2	126.37	129.91	2.10	143.75	125.55	129.57	147.64	124.57	109.15
South Africa (60)	138.69	+0.0	121.67	123.74	4.08	138.75	121.19	124.82	142.88	115.35	124.47
Spain (42)	153.76	−0.2	134.89	136.05	3.55	154.03	134.53	136.12	154.03	143.14	153.16
Sweden (35)	155.32	−1.4	136.26	147.51	2.32	157.51	137.57	149.18	162.00	138.45	123.04
Switzerland (57)	76.32	−0.3	66.96	78.78	2.33	76.57	66.88	78.61	79.76	74.05	81.16
United Kingdom (316)	142.89	−0.2	125.35	125.35	4.50	143.14	125.02	125.02	153.33	134.53	138.00
USA (562)	121.54	+0.4	106.62	121.54	3.62	121.02	105.70	121.02	121.90	112.13	110.48
Europe (1008)	117.88	−0.1	103.41	110.09	3.60	117.96	103.03	109.75	120.88	114.02	109.28
Nordic (125)	151.06	−0.6	132.52	148.96	2.00	152.00	132.76	149.53	153.98	137.95	114.36
Pacific Basin (679)	183.79	+0.4	161.23	154.79	0.70	183.13	159.95	154.08	194.72	176.37	167.54
Euro-Pacific (1687)	157.43	+0.2	138.11	136.98	1.58	157.08	137.19	136.42	164.22	152.83	144.24
North America (689)	122.22	+0.4	107.22	121.21	3.60	121.69	106.29	120.69	122.71	112.79	111.28
Europe Ex. UK (692)	102.19	+0.0	89.65	100.69	2.89	102.18	89.24	100.34	103.11	98.84	91.45
Pacific Ex. Japan (224)	123.82	+0.2	108.62	109.09	4.64	123.52	107.88	109.00	137.65	123.48	109.63
World Ex. US (1887)	156.45	+0.2	137.25	136.28	1.66	156.09	136.33	135.73	162.77	152.04	143.40
World Ex. UK (2133)	142.90	+0.3	125.37	131.88	2.04	142.42	124.39	131.32	146.04	138.06	129.97
World Ex. So. Af. (2389)	142.91	+0.3	125.38	131.31	2.25	142.49	124.45	130.77	146.65	138.82	130.71
World Ex. Japan (1994)	120.88	+0.2	106.05	117.10	3.65	120.59	105.33	116.68	122.37	114.51	110.68
The World Index (2449)	142.89	+0.3	125.35	131.26	2.26	142.47	124.43	130.72	146.51	138.83	130.67

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).